

# "OFFICIAL" FINANCE IN GOVERNMENT DEPARTMENTS - -

A SERIES OF CRITICAL COM-  
MENTS UPON THE BUSINESS  
AND FINANCIAL METHODS OF  
GOVERNMENT DEPARTMENTS

WITH AN INTRODUCTORY NOTE BY  
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## INTRODUCTION

THE important public position occupied by the great spending departments of State suggested a series of investigations into their methods and book-keeping administration. The results attending this investigation were embodied in a number of articles in the *Financial Review of Reviews*, but as the copies containing them are now out of print, it has been decided to reproduce the articles in a more permanent form. Analogous to this investigation are two other articles concerning the administration of Government departments which, therefore, are also included in this volume. No one who has been brought into contact with the "business" side of our Government Departments will deem too severe the criticism of their methods advanced by the writers of the articles in the ensuing pages. Instance after instance of gross ignorance of the elementary principles of commerce and

finance are cited. So great appears to be the wasteful extravagance of our departmental officials that it is little wonder serious alarm is felt by the country generally at the rapidity with which the bureaucracy is being increased. Manufacturers and traders are already harassed by so many officials that they hardly have time for their own business affairs, although it is upon the prosperity of the latter that the revenue-producing capacity of the nation mainly depends. In *A Modern Survey of Commerce* (published by Collins, Sons & Co.) I have dealt at length with the advantages that would accrue to the nation from separating, in the Board of Trade, the official administration of Acts affecting manufactures and trades from the greater and more responsible work of directing the trade policy of the country. A group of officials with little or no practical experience of commerce are not competent to deal with questions of policy in directing the affairs of a great trading nation. The development of the country's trade must be directed by a Ministry of Commerce, consisting of the best brains that money can command, and drawn solely from the ranks of men who have achieved success in great industries. A council



of leading manufacturers and traders is, after all, more fitted to deal with the commercial affairs of a great trading nation than are Civil Service officials who have, perhaps, attained mathematical or classical distinction, but have had no practical experience of commerce or industry.

HERBERT H. BASSETT

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# I

## GOVERNMENT ON BUSINESS PRINCIPLES

THE historian of the future, when he comes to deal with the present era of government, will find nothing more remarkable than the indifference of the public to considerations of economy which in an earlier era, if not paramount, were never allowed to drop out of notice. It is not the mere lavishness of public expenditure that is concerned, though the pace is certainly hot enough in all conscience. But what is most characteristic and dangerous amongst the tendencies of the time is the lack of attention shown to business principles in so many matters. You have only to dip into almost any Government Report dealing with what are appropriately known as "the Spending Departments" to find some striking example of wrongheadedness, viewed from the commercial standpoint.

Officials in moments of candour are quite prepared to acknowledge that Government Departments are a law unto themselves in their treatment of matters of administrative finance. Thus an eminent Treasury official, giving evidence before the Committee of Public Accounts in 1910, made the following curious

statement *à propos* of a question of Admiralty stocktaking :—

“Many things . . . are done in a large Government Department which private firms would not think it necessary to do, and which under the pressure of competition would be got rid of automatically. A manufacturing department of the State is not under pressure of that kind. As a distinguished official now retired said, when he was asked if he kept a profit and loss account, he did not, as his accounts were all loss. That is a rather humorous way of explaining that there is no test, except what the officials from time to time choose to apply.”

No doubt the confession is quaint, but it may be questioned whether the revelation given of looseness in the working of the Government Departments will strike taxpayers as amusing, excepting in a grim fashion not contemplated by the official mouthpiece. What the average man would like to know is why in great departments whose expenditure runs into millions annually there should not be some test “except what the officials from time to time choose to apply.” Although the accounts may be “all loss,” it should be possible to devise some scheme by which it could be ascertained with fair accuracy whether or not the departments were worked on economical lines.

No doubt owing to outside pressure some advance has been made in recent years on the old haphazard methods under which the most appalling waste went on without any notable effort to prevent it. For example, in the matter of the treatment of ashes from the Government brass foundries a great improvement has been effected. The case will be remembered by all

who take the trouble to follow these questions. Some years ago attention was drawn to the fact that it was the practice at Woolwich and other places where constructive work was carried on to dispose of the ashes from the brass foundries as rubbish of little or no value. It was pointed out that this so-called rubbish really contained a considerable quantity of valuable matter in the shape of brass refuse, which had only to be extracted to be ready for use again. The authorities took the hint, with the result that the revenue was a considerable gainer—how considerable may be gathered from an experiment carried out some two or three years ago at Chatham, where twenty-five tons of foundry ashes were treated, with the result that four tons of good ingot metal were obtained of a total value of £372. Now, of course, the process is resorted to wherever Government brass foundries exist. The case is typical of Government Departments. In the absence of any incentive to economy such as exists in private business concerns, wasteful methods continue until by some accident they are brought to light and reform is forced from outside.

More recent than this case of brass-foundry dross, and quite as apposite to our point that the checks on extravagance are not so effective as they ought to be, is the story of some Admiralty paint investigated at some length by the Committee of Public Accounts in their last Report. The Committee had before them the question of the theft of paint from various ships. Considerable quantities appear to have been removed from certain ships at Malta without any deficiency being revealed in the official stores. In one instance the amount taken away reached

the extraordinary figure of eight tons. One would suppose that it would be impossible to accumulate such a quantity outside the storeroom of a man-of-war without detection, and quite as impossible to dispose of it, if it had been accumulated. But the official representative of the Admiralty who gave evidence seemed to think that there was nothing really remarkable in the episode apart from the "irregularity" of the accumulations. It is "only a little one," was the burden of his commentary. "Although the quantity in question appears very large," he observed, "it is not so really if you consider the total quantity of paint allowed to a ship of that class for a year. The name of the ship is not specified here, but I would like to point out that the carpenter's allowance of paint for that year for a ship of the *Dreadnought* class is over twenty-five tons. That does not include the whole allowance to the ship, because the engineer, for instance, requires very large quantities also." After all, the amount of paint involved represented about a third of the year's supply of the largest ships in the Navy, and that can hardly be regarded as a mere bagatelle. Anyway, the taxpayer, who has to foot the bill, is not likely to take this extremely indulgent view of the transaction. Nor will he, we fancy, be able to follow the same official through the reasoning by which he accepted as quite in the natural order of things the laxity by which great quantities of paint could be "found" on a ship outside the storeroom. Asked as to a case of the kind in which 18,000 lb. of various paints were taken "on voluntary charge" without vouchers or explanation, he said:—

"When paint or any other article of store is

issued to a ship from the dockyard it is charged to the ship, and there is a voucher issued for it, and the Accounting Officer has no alternative but to take it on charge in his accounts. But we will say, for the sake of argument, that the Accounting Officer on board a ship found outside his storerooms stowed about in the ship in various places certain quantities of paint or other articles in excess of the stock on charge in his accounts, he would *voluntarily* debit his accounts with the articles so found; that is what that means. It is known and recognized that in the course of a commission certain things do accumulate in the ship, and in times gone by we knew quite well that at the close of a commission those things did get astray; and they were often, as the sailor says, 'ditched,' that is, thrown overboard, to avoid the trouble of having to answer inquiries as to the circumstances in which the surplus came to exist.

"They were considered perquisites, in fact? —Yes. We now encourage the store-keeping officers on board to take such things on charge, and not to 'ditch' them or destroy them in any way, and we have promised in that sense not to ask questions about stores that are brought 'on voluntary charge' in that way; by that means we are effecting a very considerable economy. Formerly if a quantity of surplus stores was found it formed the subject of inquiry and possible reprimand, and the consequence was that we did not find many surpluses."

It is a curious light that is here thrown upon official methods. Paint issued to a man-of-war is as much public property as the ammunition, and it should have been possible to see that it was used with equal care. Yet from the statement of

the Admiralty official it is perfectly clear that the system in vogue is so lax that considerable quantities of the material may be misappropriated or made away with without any serious impediment. "The resources of civilization," one would suppose, are not exhausted when a great quantity of valuable property has been handed over to a ship's stores. Checks which are effectual ashore against pilfering and waste should really be more effective on board ship where stricter supervision is possible in the nature of things. We cannot imagine a great steamship company accepting as inevitable a state of things such as that indicated in the story narrated above.

Helplessness in the face of dishonesty amongst Government Departments is not the exclusive privilege of the Admiralty. The Post Office also has troubles arising from the lax moral fibre of its servants, which it cannot effectually cope with. At different times it finds that sub-postmasters make free with the public money. There was one case in last year's accounts in which the official in charge of quite a small office in Glasgow dipped his hand into the public till to the extent of as much as £352 18s. 2d. Mr. C. A. King, of St. Martin's-le-Grand, when giving evidence before the Committee of Public Accounts, was asked to explain how a man in the position of this sub-postmaster was able to make away with such a large sum. His reply was that it had been going on for a long time, but the sub-postmaster had been able to conceal the deficiency by borrowing money, until one day a surprise visit was made by an inspector, and he could only produce the cash that was in the till. "He had been falsifying



accounts?" asked a member. "Yes, of course," responded Mr. King, and added:—

"He [the sub-postmaster] can falsify an account quite readily, because of the considerable amount of stock that all sub-postmasters have in postal-orders. The minimum stock runs into, I think, £180, and if it is a sub-office doing an appreciable amount of business we have to allow a stock of £200, £250, or £300, and in the items of his balance he can play tricks between cash and postal-orders. It is quite impossible for us to discover it except by going to his office and calling on him to produce the items of his balance."

"You mean that practically you are at the mercy of the honesty of your officials?" "Well, we are bound to discover it; it is only a question of how long it can run on. It must be discovered in the course of a few months or a year. But if he is very careful in playing with the items, making up the balance of the cash account, cash, stamps, Inland Revenue stamps, postal-orders and licences, and things of that kind, he can deceive us at headquarters for a long time; but the personal visit of the inspecting officer who has to see the items of balance must bring it out."

Asked as to when the official visit was paid, the witness replied at town sub-offices three times a year; at other offices twice a year. The visits, he added, were always surprise visits as far as they could be made.

"But when a sub-postmaster has been visited he knows that he has a few months' run. If it is a country office, he may think he will have at least a six months' run. We go in the first quarter of the year, because our transactions are

very heavy for the issue of licences mainly, and the Savings Bank business is very heavy in January and February; and then we go once in the other nine months of the year to the country offices and twice to the town offices."

The system of inspection here outlined is manifestly inadequate for the purposes of safety. A dishonestly disposed functionary may, as in the case of the peccant Scotch sub-postmaster, dodge the inspector for a long time. It is stated that in the end he will be discovered; but will he? Imagine a man using the public money in his business and replacing it with unfailing regularity when he knew the inspector was about due. He might not be discovered for years, if at all, if he escaped a special surprise visit, as is quite possible. How would railways fare if their stations were dealt with on this principle of two or three visits a year? Yet the business of a country railway-station is small compared with that of the sub-post-office in the same district. There really should be no difficulty in arranging a weekly audit of all sub-post-offices. It would cost money, of course, but the Post Office is a prosperous organization, and could well afford the additional outlay necessary. At all events, it owes it to the public and to its none too well paid servants that undue temptations to fraud are not offered.

It is to be suspected that the organization of the Post Office has not kept pace with the multiplication of its duties and their growth in importance. A sub-post-office to-day is a very different establishment from a place of the kind a decade or two since. The postal and money-order business has enormously developed with the introduction of new principles of handling

the system ; the parcel post has similarly grown. To these and other legitimate lines of postal business have of late been added the distribution of Old Age Pensions, the sale of Insurance stamps, and the telephone work. What may have been twenty years ago a sleepy little office is possibly to-day a centre of bustle in which the daily turnover is considerable. So far as can be gathered, the central administration has not quite grasped what its work as a large distributing agency implies in some respects. There was a suggestive little episode in the proceedings of the Committee on Public Accounts in reference to "Deficiencies in Parcel Post Receptacles," which bears on the point. As many as 23,290 of these articles were shown to be missing, and the Committee wanted to know whether a system could not be devised to prevent the losses. Mr. King was dubious. "Could they not be numbered?" he was asked. "It would be very expensive," he answered. Then might not the receptacles be given a distinctive character so that they would not be unlawfully used? Mr. King thought this was not necessary. There was no "appreciable abstraction." The discrepancy was really explained, he thought, by faulty enumeration. "But," persisted the member, "the number given here is so large that it suggests something wrong." Mr. King, however, declined to subscribe to the theory of theft. "Sometimes we have surpluses," he interjected. "The fluctuations are very remarkable." There the investigation was left. We cannot suppose that a business firm would have been content with the assumption reached by the official mind that it was really impossible to arrive at accurate figures, or keep

a real check on the stock. A system of enumeration on issue with a periodical census—simple expedients enough even in the peculiar circumstances in which postal business is done—would keep the thing right. Anyway, if accurate estimating is impossible, why give any figures at all in the return?

How unbusinesslike are Government methods even in matters of the highest importance is only too apparent from an affair which excited some talk in Edinburgh not long ago, and which since has caused painful official questionings. One day a pawnbroker in the northern city had offered to him in pawn certain articles, including a medal, which appeared to him not to have come rightly into the hands of his visitor. He communicated with the police, with the result that the medal, on being shown to the Keeper of the Museum of Antiquities at Edinburgh, was identified as having formed a part of the collection. Further investigations showed that the pawner was the Assistant Keeper of the Museum, and that in addition to the medal a number of other objects had been abstracted and pawned. Probably but for the honesty and acumen of the pawnbroker no discovery of the loss would have been made for years, if at all. There was never a stocktaking at the museum, and the only thing in the nature of a check was the compilation of the catalogue. As, however, a new edition is only published in the course of a decade or so, the safeguard against dishonesty and fraud is highly illusory. The Museum of Antiquities at Edinburgh is a comparatively unimportant institution, and if the system, or lack of system, had been peculiar to it there would not have been much to be said. But inquiry brought to light the

astonishing fact that there is no such thing as an annual stocktaking in any of the national museums. All of them—the British Museum, with its collections of coins and ancient jewels of fabulous value, the South Kensington Museum, with its priceless examples of mediæval art, and the Wallace Collection, with its unique specimens of French art—have, it would seem, no protection against official dishonesty beyond a partial and spasmodic checking of the articles by the officials themselves. The catalogues, it is true, are on permanent record to show what go to make up particular collections. But without independent checking they constitute no real guarantee against irregularity, more especially as duplicates of many articles exist, and these do not always figure in the printed list of exhibits. Clearly the only effective system is that which universally prevails in all great business establishments—a periodical stocktaking under independent supervision. Thanks to the lapse of the Edinburgh official, this is now to be arranged, so there is no more to be said about it. But it is impossible to avoid the reflection that if our incalculably valuable national collections can have existed so long without any one thinking that it might be desirable to see now and again that the collections were intact, there must be in other directions farther away from the public track possibilities of irregularity quite as gross.

Attention has been drawn to the scandalous waste of public money over Royal Commissions. It still goes on unchecked, and, as far as can be seen, unnoticed, in spite of all that has been said. True, at their sittings last year the Committee of Public Accounts did touch the fringe of the subject by going into the question

of the employment of Civil Servants as Secretaries of Royal Commissions. But the examination was so partial and uninformed as to produce no result. It was represented to the Committee that the withdrawal of Civil Servants from their ordinary work to discharge secretarial duties in connection with Royal Commissions was almost a salutary practice, inasmuch as it trained officials in special branches of work outside their ordinary duties. The Committee apparently acquiesced in this view. At all events, it made only the most general reference to the matter in its report. Yet we find on reference to the official papers that in the last few years quite a large number of Civil Servants holding appointments in one or other of the Government offices have been engaged outside their departments and have received in addition to their ordinary pay remuneration at the rate of £300 a year. In one case—that of the Sewage Disposal Commission—a clerk in the Local Government Board has officiated as secretary since 1898. As far as can be seen, this particular Commission may go on for another fifteen years. Obviously in this, as in other matters, a man cannot serve two masters. Either his legitimate work suffers or he cannot devote the attention he should to the Commission. There is the further reflection that a department which can allow one of its officials to take up onerous outside duties for a considerable period is over-manned. But, of course, this matter of the secretarial appointments is unimportant compared with the point relative to the extravagant expenditure on housing Royal Commissions, to which attention was prominently drawn previously. In the 1911 estimates the sum expended on office accommodation (including rent,

furniture, fuel, light, and rates) was £7,460. The sum is smaller than the figures for previous years, but it is still absurdly high. If instead of finding separate houses for each Commission the Government brought all such bodies together into one building, the annual expenditure would be enormously reduced and public convenience would be promoted.

The inevitable conclusion, from the most cursory survey of Government Departments, is that the whole official machinery requires overhauling and bringing up to date on lines which in commerce have been found to be most effectual. Again we emphasize the fact that it is not so much dishonesty that the public has to fear as waste, due either to unscientific methods of working or slackness. The door is left open too widely to influences which drain the public purse. Where the disposition is to regard the work as "all loss," it is natural that the feeling should also exist that it really does not greatly matter how much the loss is. After all, why bother about hundreds when millions are being poured out?

We must not blame the official for adopting this comfortable line of reasoning. He is the victim of a system which has tended to eliminate that keen desire for economical working which is characteristic of the best business man. If he were kept up to the mark by pressure from without, intelligently and consistently applied, he would develop the same instinctive zeal for getting the best financial results out of his operations. The question of how this can be done is one which deserves full consideration. In any arrangement which might be devised it would probably be found desirable to embody the main features of the existing system of control.

The whole organization of financial supervision to-day revolves round the Committee of Public Accounts, which is annually appointed by the House of Commons to go through the Sessional estimates. It is a most useful body, doing in a very conscientious fashion an important work. Its chief adviser is the Controller and Auditor-General, who places before the members a full statement of the financial requirements, with explanatory notes drawing attention to particular points which, from his own inquiries and experience, appear to demand special attention. With this report in their hands the Committee examine the chief departmental officials one by one, until all the doubtful questions have been fully explained. At the end of the entire proceedings, which extend over a number of sittings, the Committee make a report to the House of Commons, embodying recommendations as to future procedure based on the facts as disclosed before them. In this way, of late years especially, the searchlight has been thrown on many official abuses, with the result that remedies have been applied. The chief fault of the system is that it does not go far enough. Nor will the new Estimates Committee, which has been appointed by the House of Commons to deal more closely than is possible at present with the financial proposals submitted to the House, be of itself adequate to meet the full requirements of the situation.

What is needed is some means by which an expert business supervision will be effectively exercised side by side with the functions of the Parliamentary bodies. The Controller and Auditor-General is a valuable functionary on his own ground—departmental finance—but he lacks



that intimate touch with business realities which is essential to the complete control of the vast interests which centre in our Government Departments. The conditions now are widely different from those which existed even a decade or so ago. Side by side with a vast extension of administrative work has been a phenomenal development of the purely business activities of the Government. The Post Office alone would supply scope for an extensive supervisory department. Indeed, if anything like satisfactory results are to be secured in the future it will demand it. But no merely sectional action will meet the necessities of the time. There must be a complete reconsideration of the whole question of financial and administrative supervision in the light of modern needs. The Audit Department should be strengthened from without. While officials trained in the ordinary routine of Government offices were good enough for the old days, when the question was mainly one of seeing that statutory requirements were observed, they are out of place now when the Government is an Agent of Commerce, with all the responsibilities that attach to that function. There should be called into counsel men who are recognized by the outside world as experts in the work of keeping finances straight and making the most effective use of the machinery of organization. A Committee of a half-dozen able men, charged with the special duty of keeping an eye on the Government Departments, would be of inestimable service. Such names as Sir William Plender, Sir William Peat, Mr. A. F. Whinney, Mr. Lawrence Dicksee, Mr. A. Turquands Young, Mr. E. Waterhouse, Mr. Roger N. Carter, Mr. Kirby, Mr. Griffiths and numerous others arise

to the mind at once. The cost to the country in fees would be infinitesimal compared with the saving that would be effected by the exercise of the vigilance of this body of trained commercial intellects. The fact that it was a creation outside the circle of officialdom would be resented no doubt by the bureaucracy, but to the general public it would be a guarantee that red-tape would not hamper the action of the new authority.

## II

### THE MAGNIFICENT MUDDLE OF DEPARTMENTAL FINANCE<sup>1</sup>

A GENERATION ago it would have been almost superfluous for newspapers to preach to politicians the importance of economy in public expenditure. During the greater part of Queen Victoria's reign it was recognized as a duty by leading politicians of both parties to keep down public expenditure to the strict minimum needed for the efficiency of the public services, so that the State might take as little money as possible out of the taxpayer's pocket. To-day it is hardly an exaggeration to say that both parties have forgotten this salutary rule of good government. With one or two exceptions every member of the House of Commons is to-day engaged, not in seeking to protect the taxpayers whom he represents in Parliament, but in imposing additional burdens upon them. One set of members urges—perhaps rightly, perhaps wrongly: that is not the question for the moment—that the growth of foreign navies makes it imperative that we should spend more money on building ironclads and constructing docks. Another set of members, who have devoted much personal energy to the development of the volunteer movement, demand that money should be poured out of the Exchequer in order to encourage

<sup>1</sup> This article was written by Mr. Harold Cox in 1908, but it is so applicable to the conditions at the present time that we have included it in this series.—ED.]

hesitating citizens to join Mr. Haldane's Territorial Army. Other members, representing dock-yard constituencies, are for ever clamouring that the wages of their constituents should be raised at the expense of the whole nation. A similar demand is put forward by a larger body of members on behalf of the employees of the Post Office. Equally persistent are the demands made for increasing the superannuation allowances of the Police, for establishing a pension fund for school teachers, for additional grants for secondary and technical education, for subsidies to Irish universities, to British shipowners, and to Colonial railways, for additional volumes of expensive statistics, and for a score of wants, real or imaginary, which any elector can persuade a Member of Parliament to advocate. Nobody cries "Halt!" Everybody seems to imagine that the State possesses a bottomless purse, from which every noisy section of the community can freely draw without anybody feeling the loss. Even when the forms of the House require Members of Parliament to nominally urge a reduction of expenditure, their actual demand is for an increase. It is a sound rule of the House of Commons that no one except a Minister of the Crown may propose any addition to the burdens of the taxpayer. Consequently, when the estimates are being discussed in Committee of Supply, a member who wishes to call attention to any matter connected with the expenditure of the Government must begin by moving a reduction of the sum which the Government asks for. In nine cases out of ten his speech will then resolve itself into a demand that more money should be spent upon the service with which he is dealing. When this is the spirit of the House

of Commons, it is not surprising to find that the public departments respond. The old reluctance to swell the estimates has disappeared from the public service. The only department which in the least degree attempts to protect the taxpayer is the Treasury, and it has been shorn of the moral power which it used to possess. If the Treasury now ventures to oppose any new scheme for expenditure put forward by some other department, it runs the risk of being snubbed for its pains. The department which is asking for more money will certainly be supported by the Minister at the head of it, even if he is not the author of the demand. Should the Treasury show signs of obstinacy he will carry the matter to the Cabinet, and as the only question involved is the money of the nation, his colleagues will rarely refuse to let him have his own way. They know that nobody in the House of Commons will challenge the additional expenditure, unless the sum involved is very serious, and they know that the few members who want this particular outlay will loudly bless the Minister who proposes it. So the Minister gets his way with the Cabinet, and the Treasury, which was once a valuable check upon public waste, is reduced to impotence.

This, in brief, is the political explanation of the enormous growth in our public expenditure. How rapid that growth has become in comparison with the rate of growth in previous years few people suspect, and the object of the present survey is to bring out the facts, and especially to show in detail how almost every branch of the public service is increasing in costliness.

So far as it is possible to lay one's finger on any particular year and to say that here began the orgy of extravagance, the year 1895 stands

out most clearly as a starting-point. In that year the Liberal Ministry under Lord Rosebery vacated office, and the Unionists came back to power under Lord Salisbury. But there was this great difference, that whereas the previous ministry of Lord Salisbury from 1886 to 1892 had been an economical Ministry, the long Unionist administration which began in June, 1895, and lasted without any complete break until December, 1905, was one of the most extravagant that the country has ever yet known. To show how carefully Lord Salisbury in his earlier administration husbanded the resources of the country, it is sufficient to compare the expenditure before he came into office in 1886 with the expenditure when he resigned power in 1892. The financial year 1885-6 was a year of war, and therefore it must be excluded from the comparison, and we will take instead the year 1884-5. In that year our total national expenditure (Exchequer Issues) was £89,038,000. In the year 1891-2 the corresponding figure was £89,928,000. To complete the comparison it is necessary to add that the sum devoted out of the revenue of the year to reduction of debt was larger by £267,000 in 1884-5 than the corresponding sum in 1891-2. Making allowance for this fact, we find that the increase in public expenditure upon current purposes during Lord Salisbury's first long reign from 1886 to 1892 was only £1,157,000.

The Liberal Government which succeeded had a less satisfactory record, in spite of the fact that so sincere an economist as Sir William Harcourt was Chancellor of the Exchequer. In the three years from 1892 to 1895 the expenditure of the country increased by very nearly

£4,000,000. Half of this increase, it must be added, was due to increased expenditure upon the Navy. This relatively rapid growth of expenditure under a Liberal Government shows that extravagance in public expenditure was not even then, as some Liberals have been inclined to assert, a special vice of the Tory Party. The two parties are equally to blame, and the only reason why the year 1895 rather than 1892 is selected as the starting-point of the present-day disregard for economy is because the increases in expenditure after the latter year altogether outdistanced those previously recorded. In one year, between 1894-5 and 1895-6, the expenditure chargeable against revenue increased by £3,846,000, or by nearly as much as the whole increase in the previous three years, and by three times as much as in Lord Salisbury's six years from 1886 to 1892. In the same year a further addition of more than a million was made to the public expenditure out of money raised by loan, although spent upon purposes which had up to that time in the main been defrayed out of revenue.

This practice of borrowing money for military and naval and civil works has proved one of the most fruitful sources of extravagance. Up to 1895 it had only been resorted to sparingly, but from 1895 onwards it was increasingly employed throughout the whole period of Unionist administration which ended in 1905. The objections to the practice are that it removes expenditure from even the nominal control of the House of Commons, while at the same time it encourages the Chancellor of the Exchequer to sanction costly undertakings which he would probably veto if he had to make an immediate

demand upon the taxpayer for the money. It may be argued, on the other hand, that the barracks and docks and other buildings and plant thus paid for out of capital last for many years, and that therefore it is more reasonable to spread the cost over a considerable period instead of charging it all to one year. This would be a very good reason if these works were of an altogether exceptional character. But as a matter of fact the British Government has always to be building docks and barracks; it has always to be laying fresh telegraph-wires, to be enlarging post-offices, law-courts, and prisons. If the Government were run as a commercial concern, all these forms of outlay would properly be treated as capital expenditure and charged to capital account, and would gradually be written off by successive depreciations. It is, however, impossible to treat all the departments of the Government as commercial businesses. The Post Office might, indeed, be so treated with great advantage to the country, but this would necessitate the complete separation of Post Office accounts and administration from the other departments of the Government. Such services as those rendered by the Law Courts, by the Home Office, the Board of Trade, the Local Government Board, and by the Army and Navy cannot be judged by ordinary commercial standards. They must be treated as the head of a household treats the various items of his domestic expenditure. He considers how much he can afford for the various needs of the house, and satisfies first those which are most imperative, buying one year a new carpet, another year a new piano, and so on. He does not sit down and calculate that the



carpet will last him so many years, and that therefore he can raise a loan to pay for it and wipe off the loan by a series of annual payments. To build docks and barracks with loan money is, in fact, closely analogous to the practice of furnishing on the hire system, a practice which most reputable householders avoid.

These reflections on the loan system are, however, parenthetical to our main purpose. They are only introduced at this point because the rapid increase in the annual expenditure of the country which began in 1895 was accompanied by an equally rapid increase in loan expenditure.

Let us now examine the figures more closely. The following table brings out the broad facts to which it is first necessary to call attention:—

EXPENDITURE OF THE UNITED KINGDOM.

(Exchequer Issues.)

Year.	Issues charged against Revenue.	Add Issues charged against Loans.	Deduct Repayment of Debt charged against the Revenue of the Year.	Total Issues for Current Expenditure.
1884-5	£ 80,038,000	£ —	£ 7,036,000	£ 82,002,000
1894-5	93,918,000	810,000	6,861,000	87,867,000
1904-5	141,956,000	8,060,000	8,629,000	141,396,000

(The above figures are taken from the Statistical Abstract and from the National Debt Return.)

Comparing the two periods of ten years covered by the above table, it will be seen that in the first period the Exchequer Issues for the current expenditure of the country increased by £5,865,000, in the second period the increase was £53,529,000.

This striking contrast can only be explained by the indifference of the House of Commons

and of the public departments to the growth of the burdens upon the taxpayer. No one will suggest that in the second of the two periods of ten years the wealth of the nation increased so much more rapidly than in the former period that the additional burden was of no account. Equally impossible is it to argue that though the public services could be efficiently maintained with £88,000,000 a year in 1894-5, they required £141,000,000 in 1904-5.

Nor can the heavy expenditure in 1904-5 be explained away by pointing to the South African War. The war ended in 1902 and the expenditure involved in withdrawing the troops and resettling the Boer farmers was completed in the years 1902-3 and 1903-4. The only items of expenditure remaining to be met in consequence of the war were the cost of the additional garrison stationed in South Africa and the interest upon the war debt. In the year 1904-5 the total cost of the whole garrison in South Africa was £4,140,000,<sup>1</sup> so that the cost of the additional garrison was well under £4,000,000. In the same year the interest payable upon the estimated war debt then outstanding was £3,992,000.<sup>1</sup> Therefore the South African War only accounts for £8,000,000 out of the increase of £53,000,000 in the ten years from 1894-5 to 1904-5.

The real explanation of the remainder of this huge increase is to be found, not in any national necessity but in the spirit of extravagance pervading the House of Commons and the whole public service. That spirit still continues in spite of the change of Government, and though

<sup>1</sup> Answers to questions in the House of Commons, March 14, 1906, and May 11, 1908.

in some directions there has been a reduction of expenditure, in others there has been a very heavy increase.

The year 1904-5 was the last year for which Mr. Balfour's administration was completely responsible, but his Government framed the estimates for 1905-6 and controlled the actual expenditure during three-quarters of that year. Therefore, in trying to gauge what the Liberals have done to carry out their pledges to secure economy in public expenditure, we must take the year 1905-6 as the starting-point. Before, however, comparing that year with the present it is necessary to note that, as the result of a very wise change made by Mr. Asquith the sums collected by the Imperial Government on account of various taxes and handed over to the Local Authorities without passing through the Exchequer are now all treated as Exchequer revenue, and an equivalent grant is made from the Exchequer to the Local Authorities. The result is to swell both the apparent revenue and the apparent expenditure of the Government by about £10,000,000. The necessary adjustment has been made in the following table:—

EXPENDITURE OF THE UNITED KINGDOM.  
(Including Payments to Local Taxation Account.)

Year.	Issues charged against Revenue.	Add Issues charged against Loans.	Deduct Repayment of Debt charged against the Revenue of the Year.	Total Issues for Current Expenditure.
1905-6	£ 150,413,000	£ 6,148,000	£ 10,461,000	£ 146,100,000
1906-7	149,637,000	5,975,000	11,500,000	144,112,000
1907-8	151,812,000	2,834,000	13,225,000	141,421,000
1908-9 estd.	154,109,000	2,785,000	11,920,000	144,974,000

(The above figures are taken from the Financial Statements presented with the Budget in each year, from an answer to a question in the House of Commons on May 20th, 1908, and from the National Debt Return.)

These figures show that, in spite of all the promises of economy with which the Liberals came into power, no halt has been called to the reckless increase in our national expenditure. Even if we deduct from the estimated expenditure the sum set aside for Old-Age Pensions—namely, £1,200,000—the remaining expenditure charged against revenue is £152,909,000, or  $2\frac{1}{2}$  millions more than the corresponding figure for 1905-6. The only real reduction the Liberals have effected is in the loan expenditure, which has been reduced from £6,148,000 to £2,785,000. This is all they have done, and it certainly falls very far short of what they had led the country to expect. The best measure of what the Liberal leaders previously meant by their denunciations of Tory extravagance is furnished by a debate which took place in the House of Commons in the Session of 1901. On May 20th of that year Sir Henry Fowler moved a resolution declaring that the financial proposals of the Government were “objectionable both with regard to taxation and to debt,” and that they did not exhibit “that regard for economy which the alarming increase that has recently taken place in the normal expenditure of the country imperatively demands.” In the course of his speech he said:—

“I believe that the mature judgment of the country is that our expenditure is increasing at an unnecessary and dangerous rate; that our taxation is in the main raised by the brain labour and the hand labour of the bulk of the nation, and that it is the supreme duty of the House of Commons to require unflinching economy in all departments of the State.”

His motion received the support of the whole

Liberal Party, including both the late and the present Prime Minister. The official Liberal tellers "told" in favour of it. We may, therefore, conclude that the Liberal leaders and their followers regarded the expenditure of that year as excessive. The total of that expenditure, excluding war expenditure but including local taxation grants, was stated by Sir Henry Fowler to be £125,500,000. The corresponding figure for the current year is £154,109,000.

In comparing these two figures, however, we must make allowance for the fact that a larger portion of the expenditure of the year is now devoted to the repayment of debt than was the case in 1900-1. Making this adjustment, we find that the true figure for current expenditure, after deducting repayment, was £124,532,000<sup>1</sup> in 1900-1, as compared with £141,421,000 in 1907-8, and with an estimated sum of £144,974,000 in 1908-9. In other words, the Liberals, instead of reducing the expenditure, which in 1901 they declared to be excessive, have increased it by more than £20,000,000 per annum.

So far as the Army and Navy are concerned, the increased expenditure which the country now has to bear, as compared with the expenditure which provoked Sir Henry Fowler's protest in 1901, is a legacy from the Unionist Party.

This partial excuse, however, does not apply to expenditure upon the Civil Service and Revenue Departments. Here the Liberals have been, if anything, even more extravagant than their predecessors. In the year 1905-6, the last year for which the Unionists were

<sup>1</sup> See Finance Accounts, National Debt Return, and House of Commons Paper 155 of 1902.

mainly responsible, this expenditure amounted to £47,325,000. The corresponding estimate for 1908-9, apart from the provision for old-age pensions, is £52,156,000, or an increase of nearly £5,000,000 a year in the short space of three years. This is the hole through which the money of the taxpayer is now being poured out, and unless it can be stopped all the savings effected upon the Army and Navy—if any there be—and all the increase in the yield of the existing taxes, owing to the growth in the prosperity of the country, will be absorbed by increased civil expenditure, and we shall be faced with the necessity for further taxation.

It is, therefore, of the utmost importance to examine in detail the elements of this constantly increasing demand, so that the public may know exactly where the responsibility lies. Experience shows that economy in the gross is impossible unless there is also economy in detail. A Minister or a powerful official may occasionally make a sensation by cutting down the Navy Estimates by several millions a year, as was done under the late Government in the year 1905-6, but such wholesale reduction can only mean a corresponding reduction of strength. The Government of the day will, of course, pretend that the real strength has not been reduced, but that they have only made a rearrangement securing economy without loss of efficiency. Thus in 1905 Lord Lansdowne, speaking in the House of Lords, said that the "Navy Estimates showed a saving of  $3\frac{1}{2}$  millions owing to the courageous scheme of Lord Selborne relating to obsolete warships, which were costing the public a great deal of money while adding nothing to the fighting efficiency of the Navy."

This legend still survives, but as Sir William White pointed out at the time, an examination of the estimates blew this captivating theory into the air. Of the total saving of  $3\frac{1}{2}$  millions no less than  $2\frac{1}{4}$  millions were due to a reduced programme of new construction. Another £600,000 was accounted for by reduced expenditure upon guns, projectiles, and ammunition—an item which certainly would be very little affected by the maintenance or the non-maintenance of obsolete ships. In the course of debates in the House of Commons the Secretary to the Admiralty was pressed to say how much money was actually saved by the removal of obsolete ships from the Navy list, and declined to give a definite figure or even to commit himself to saying that as much as £100,000 had been saved on this account. What really happened in 1905 was that the Unionist Government came to the conclusion that the Navy was larger than the country needed and decided to cut it down. Possibly that was a wise thing to do, but the power to do it obviously depended on considerations of international policy which have no relation whatever to questions of internal economy. That there is room for real economy in the Navy, as in every other branch of the public service, no thoughtful man can doubt, but it will be secured, not by sensational reductions on a grand scale but by careful investigation of details securing a saving of £100 here, £1,000 there, and so on.

As the internal economy of both the Navy and the Army is more or less a sealed book to the general public, it is wiser, and for the moment sufficient, to concentrate our attention on the Civil Services of the country, including in the term the

Post Office and other "Revenue Departments." Further, in order to avoid any appearance of political partisanship, it will be well to extend our examination over a period of years during which both Liberals and Unionists have been responsible for the finances of the country, and have equally connived at the reckless increase of civil expenditure. The primary information needed for this comparison is furnished by the Estimates presented to Parliament for the Civil Service and Revenue Departments. The figures supplied in these volumes and in the Financial Statement presented with the Budget of 1908 are set out in the following table:—

Year.	Civil Service Departments.	Post Office and Revenue Departments.	Total Civil Expenditure charged upon the Estimates.
	£	£	£
1899-00	22,411,000	15,695,000	38,106,000
1900-01	23,501,000	16,146,000	39,647,000
1901-02	30,477,000 <sup>*</sup>	17,077,000	47,554,000 <sup>*</sup>
1902-03	36,081,000 <sup>*</sup>	17,550,000	53,631,000 <sup>*</sup>
1903-04	26,686,000	18,291,000	44,977,000
1904-05	27,600,000	18,598,000	46,198,000
1905-06	28,177,000	19,148,000	47,325,000
1906-07	29,133,000	19,731,000	48,864,000
1907-08	30,180,000	20,749,000	50,929,000
1908-09 estd.	31,710,000	21,646,000	53,356,000

The above table shows the growth that has taken place in the short interval of ten years in the civil expenditure charged upon the Estimates presented to Parliament. These figures alone are sufficiently striking. Let not the hasty reader imagine, however, that when he has studied the above table he has learned the whole story. The problem of our national expenditure would, from a statistical point of view at any rate, be fairly

\* These figures include large grants to the Transvaal and Orange River colonies.



simple if the Estimates presented to Parliament showed all the facts in a form capable of such easy tabulation. The moment the student begins to dip below the surface he discovers that underneath the figures which look so smooth and orderly there is a buried tangle of matted roots. The attempt to disentangle these roots only leads the explorer into further complexities, till at last he is driven to confess that it is absolutely impossible to ascertain what is the real total of the nation's expenditure. How this impossibility arises will presently be explained, but in order to emphasize the importance of the fact let me repeat again that *under the present system of national account-keeping nobody knows, and nobody can know, what is the total sum annually spent on behalf of the nation under the authority of Parliament.*

Some of the additions to be made to the above table are fairly simple, and can be ascertained without much trouble. They arise from the fact that a good many items of public expenditure of very considerable importance are sanctioned, not by means of an annual vote of the House of Commons, but by the authority of permanent Acts of Parliament. These items are known as "Consolidated Fund Charges," because they are a permanent charge upon the Consolidated Fund, and are paid year by year without any fresh reference to Parliament. They include the interest on the National Debt, the Civil List of the Sovereign, the salaries of the judges, pensions for political services, various payments to Scotch clergymen, to Irish colleges, and to Oxford and Cambridge professors, and sundry odd charges such as an allowance of £26 2s. 8d. to the Under Librarian at Marsh's Library, St. Patrick's,

Dublin. Particulars of these charges, after they have been paid, are published annually in the Finance Accounts of the United Kingdom, but no forecast of them is presented to Parliament in the form of an estimate, and the House of Commons has no authority over them. They cannot be increased or diminished without a special Act of Parliament. Apart from the charge for the debt, the totals involved are not great in comparison with the rest of our national expenditure, and they vary little from year to year. The latest figures available are for the year 1906-7, and these are compared in the following table with those for the year 1898-9 :—

#### CONSOLIDATED FUND SERVICES

(Exclusive of the charge for the National Debt)

For the years 1898-9 and 1906-7.

	1898-9.		1906-7.
	£		£
a) Sovereign's Civil List ... ..	408,773	...	470,000
(b) Annuities and Pensions :—			
Annuities to members of the Royal Family	168,000	...	106,000
Pensions for distinguished Naval and Military services ... ..	24,976	...	18,720
Pensions for distinguished Political and Civil services ... ..	9,303	...	19,133
Pensions for Diplomatic services ... ..	1,621 <sup>1</sup>	...	—
Pensions for Judicial services (U.K.) ... ..	57,578	...	86,972
Compensation Allowances (Courts of Justice, U.K.) ... ..	18,344	...	8,691
Civil List Pensions ... ..	1,648	...	25,768
Pension formerly charged on Hereditary Revenues of Scotland ... ..	97	...	—
Allowances to Members of her late Majesty's Household ... ..	—	...	18,184
(c) Salaries and Allowances :—			
Speaker of the House of Commons ... ..	5,000	...	5,000
Comptroller and Auditor-General, and Assistant Auditor ... ..	3,500	...	3,500

<sup>1</sup> This was a disappearing charge. All the pensions for Diplomatic services are now charged upon the Civil Service Estimates.

	1898-9.	1906-7.
Scotch Clergy ... ..	£ 17,040	£ 17,040
Clergy (West Indies) ... ..	1,731	740
Lord-Lieutenant of Ireland ... ..	20,000	20,000
Queen's Colleges (Ireland) ... ..	21,000	21,000
Miscellaneous ... ..	10,843	10,757

(d) Salaries of Judges and Magistrates :—

Lords of Appeal, Court of Appeal, and High Court ... ..	174,800	179,786
County Courts (England) ... ..	82,349	82,101
Police Courts (London and Chatham) ... ..	38,467	38,347
Scotland : Court of Session ... ..	49,400	49,400
" Sheriffs and Sheriffs' substitutes ... ..	53,772	54,408
Ireland : Court of Appeal and High Court ... ..	69,860	61,070
" Land Commission ... ..	14,000	12,000
" Chairman of Quarter Sessions and Recorders... ..	31,719	31,800
" Circuit Expenses ... ..	2,700	3,000

(e) Miscellaneous Annuities :—

Russian Dutch Loan ... ..	43,554	43,554
Cunard Agreement ... ..	—	39,000
Greenwich Hospital ... ..	4,000	4,000
Compensation for Loss of Ancient Privileges ... ..	17,020	17,020
Public Offices Sites ... ..	16,244	16,244
Redemption of Various Perpetual Pensions ... ..	9,513	777
Indian Army Pension Deficiency ... ..	215,000	215,000

(f) Repayments to Local Taxation Accounts :—

Agricultural Grant to Scotland ... ..	48,555	98,091
Land Purchase Grant to Ireland ... ..	40,000	40,000
Agricultural Grant to Ireland ... ..	363,828	727,655
Local Government Grants to Ireland ... ..	—	291,492
	<u>2,044,235</u>	<u>2,836,250</u>

This somewhat lengthy table, which has been summarised from the fuller details given in the Finance Accounts, will help to show the reader how needlessly complicated are the national accounts. Take, for example, the item of £16,244 for Public Offices. This is an annuity created under an Act of 1882 to pay for the sites of certain public offices. It is charged upon the Consolidated Fund, and buried out of sight under the head of "Miscellaneous Services"; but exactly similar annuities created by other Acts are charged upon the Estimates of the Office of

Works, where their presence helps to show what is the actual cost to the country of its public offices.

Equally unsatisfactory, from the point of view of intelligible account-keeping, is the item of £21,000 for Queen's Colleges, Ireland. These same colleges also appear in the Civil Service Estimates under the vote for education in Ireland, and receive a further grant which in the present year will be £4,700. To pass to larger items, we find two sums—namely, £40,000 and £728,000—granted to Ireland under the authority of Acts of Parliament passed in 1891 and 1898. As regards both these grants, if we turn to the Civil Service Estimates we find other sums for identical or similar services. Thus, in addition to the £40,000 in the above table permanently granted to Ireland for Land Purchase, the taxpayer has to provide under Class III of the Civil Service Estimates £271,000 in the current year for the cost of the Irish Land Commission, which administers the Land Purchase Act. A further charge of £12,000 appears in the Consolidated Fund accounts, as the above table shows, for the salaries of the Land Commission Judges. It is an elementary principle of sound account-keeping that the expenses of each service should be brought together, so that those who have a right to be interested in the expenditure may see what the full cost of the service is. Yet the cost of the system of land purchase in Ireland appears under three separate heads, which are in no way connected with one another.

A similar criticism applies to the agricultural grant of £728,000 a year to Ireland. In addition to this grant permanently charged upon the

Consolidated Fund, the annual Estimates show a charge in the current year of £216,000 for the Department of Agriculture and Technical Instruction.

As a last example, take the payment of £215,000 to the Indian Army Pension Deficiency Fund. This is really an Army charge. It represents part of the cost of maintaining the military machine, and ought therefore to appear, not on the Consolidated Fund Accounts, but on the Army Estimates.

These examples are sufficient to show that the Estimates alone give an inadequate representation of the public expenditure. Yet, as already explained, they contain the only figures which require the annual sanction of the House of Commons. The charges upon the Consolidated Fund annually falling due are not even published until after they have been paid.

If, however, the only thing necessary in order to get a full statement of our public expenditure were to bring the Consolidated Fund Charges and the annual Estimates together, the work of the inquirer would be comparatively easy. The real trouble which he has to encounter is that, even when he has brought these two charges together, he still cannot find the true total. This is the difficulty referred to a few pages back. It arises from the adoption by the Government of a system of accounting known as the system of Appropriations in Aid. Under this system each department of the Government is allowed to credit itself with various departmental receipts, and to write them off against its total expenditure. Parliament is then asked to vote, not the total expenditure incurred by the department, but the net expenditure after deducting the Appropriations in Aid.

Thus, to take a particularly glaring case which occurred a few years ago, in February, 1904, a supplementary Army Estimate was presented to the House of Commons for £2,700,000. It was a large sum to be asked for in a supplementary estimate, but the actual expenditure covered by that sum was no less than £6,130,000, the difference being made up by various Appropriations in Aid, mainly consisting of the sale of war stores.

The disadvantages of this system are very serious. It obscures from the public the real cost of the various public services, and it enables the departments to spend money with comparative ease on purposes of which Parliament might conceivably not approve. It may be argued that if the figures are all set out in official documents it is possible for Parliament to get at the true facts and act upon them. The answer is that members of Parliament are human. Their attention is attracted by what is placed under their eyes, not by facts which they have to dig out by a more or less laborious process of investigation. As a matter of fact, few members of Parliament, and still fewer members of the general public, have time to examine the details of the Estimates submitted to the House of Commons. They look at the net totals, and imagine that these represent the real cost of the departments concerned. Therefore, even when the House of Commons is inclined to be economical, it is baffled by this ingenious device for concealing the full facts.

That the real business of Parliament is to examine the gross rather than the net expenditure of the various departments of State can be made clear in a moment. On the principle of treating departmental receipts as Appropriations in Aid,

all the money received by the Post Office for the sale of postage stamps should properly be reckoned as an Appropriation in Aid. The accounts of the department would then show a balance of revenue over expenditure; consequently, no Parliamentary vote would be required to sanction outgoings, and this huge department, spending now more than £18,000,000 a year, would altogether escape the control of the House of Commons.

This is a conclusive reason against the adoption of any system of net accounts such as that annually issued as a Parliamentary paper under the name of the Fowler Return. In this return, of which Sir Henry Fowler was the author, an attempt is made to show the net burden of the British Government upon the British taxpayer. In many ways it is a very useful return, and should be examined by all who wish to make a study of our national finances, but while bringing out some important facts, it leaves others still concealed. Even in the matter of Appropriations in Aid the Fowler Return is not consistent with its own principles. For example, since the year 1894 the interest on the Suez Canal shares has been treated in this return as an addition to National Revenue; but the interest received from the Sardinian Loan, which is exactly analogous, was treated down to 1903, when the last payment was received, as an offset against the interest paid upon the National Debt.

This illustration shows the difficulty of applying the principle of Appropriations in Aid consistently even in a return expressly devoted to that purpose. In the annual estimates presented to Parliament absolutely no attempt at consistency is made. The same department will

treat some receipts as Appropriations in Aid of expenditure; others, identical in character, are treated as additions to revenue. A few examples will enable the reader better to appreciate the hopeless confusion which exists in the only accounts formally presented to the House of Commons.

Take first this striking fact, that the sum to be voted by the House of Commons for the salaries and expenses of the Supreme Court of Judicature in the current year is £339,867; whereas the sum to be voted for the salaries and expenses of the County Courts is only £5. The explanation is that the fees paid into the High Court are treated as revenue, whereas exactly similar fees paid into the County Courts are treated as an Appropriation in Aid. Absolutely no reason exists for this difference of treating two sets of Court fees. The real cost of the County Courts is not £5, but £496,547, plus the sum charged upon the Consolidated Fund for the salaries and pensions of County Court Judges, plus various payments charged to other departments. Nor is the treatment of the County Court fees consistent even with itself, for a footnote to the Estimates explains that in addition to the sum of £496,542 treated as an Appropriation in Aid, a sum of £4,458 is estimated to be received in cash and to be paid into the National Revenue, and that further amounts estimated at £36,829 in stamps and £450 in cash will also be received through the County Courts and added to the revenue.

These grotesque inconsistencies are not confined to large sums which can easily be spotted. They run through the whole system. Here are a few examples, obtained by comparing the figures



given in the Finance Accounts for 1906-7 with the figures published in the Volume of Estimates applying to that year.

The Criminal Lunatic Asylum at Broadmoor receives £50 a year as rent from the Berkshire County Council for certain school buildings; it also receives rents for various cottages, and other sundry receipts amounting to £165. The first of these items is treated as part of the National Revenue, and is so entered in the Exchequer Accounts; the second is treated as an offset against expenditure, and is entered as an Appropriation in Aid.

The British Museum receives £2,300 from the sale of publications. This is treated as an Appropriation in Aid. On the other hand, the National Portrait Gallery receives £16 11s. 5d. commission on the sale of photographs. This is treated as an item of the National Revenue.

Fees for admission to the Tower of London are treated as an Appropriation in Aid. Fees for Admission to the National Portrait Gallery and to the National Gallery of Ireland are treated as National Revenue.

The Mercantile Marine Branch of the Board of Trade receives £50 for the sale of old stores. This is treated as an Appropriation in Aid of the expenditure of the department. The fishery Board of Scotland receives 6s. 6d. for the sale of old stores. This is treated as an item of revenue, and is duly recorded among the miscellaneous revenues of the United Kingdom.

As a final example take the following: The Finance Accounts show an item of revenue of £1,732 1s. 9d. for "Fines, Penalties, etc.," under the heading "Small Branches of Hereditary Revenue." The Civil Service Esti-

mates, under the vote for Law Charges in Scotland, show an Appropriation in Aid of the sum of £3,500 on account of "Cash Fines and Forfeitures: Small Branches of Hereditary Revenue." The former sum is accounted for as an addition to revenue, the latter as an offset against expenditure.

So far, we have been mainly dealing with the Civil Service Departments proper, but a few words must be added with special reference to the so-called Revenue Departments. These are the Post Office, the Customs Department, and the Inland Revenue Department. The two last are engaged almost exclusively in the business of collecting taxes, though incidentally they discharge certain services in the way of collecting statistics of trade and analysing samples of goods offered for sale to the public. The cost of the two departments charged upon the Exchequer in 1907-8 was £3,222,000. An examination of this expenditure would reveal similar anomalies to those already recorded, but it is more useful for our present purpose to turn to the huge figures of the Post Office accounts.

These contain anomalies of which the ordinary taxpayer of the country has no conception. Take, for example, this striking fact. The Post Office Estimates, as presented to Parliament, show an item of £1,189,000 for the cost of conveying "mails" by railway in the year 1906-7. The Finance Accounts for the same year, which are not published till after the year has closed, show that in addition to this sum the Post Office paid to the railways no less than £1,032,000 for the conveyance of "parcels." This second item is treated as a deduction from the receipts of the Post Office, and no mention whatever is made

of it in the Estimates submitted to Parliament. There is an historical reason, or rather excuse, for this difference of treatment of two items, each over a million sterling, and both employed for what is effectively the same service, but the existence of this historical excuse in no way mitigates the evil which results from such a grotesque system of accounts.

A still more inexcusable concealment of important facts occurs in connection with the royalties paid by the National Telephone Company. From a special return published as a separate Parliamentary paper it can be ascertained that in the year 1906-7 the National Telephone Company and other Licensees paid to the Postmaster-General no less than £243,665 in respect of royalties. Yet, incredible as it may appear, no mention of this sum is made either in the Estimates or in the Finance Accounts, which between them are supposed to cover the whole financial transactions of the Government. It is treated as a mere addition to the revenue derived from telegrams, and is buried out of sight in the following entry:—

For transmission of Telegrams, etc., collected in cash, £2,172,544.

Truly there is a wealth of meaning in an official "etc." It may be added that though the compiler of the Finance Accounts cannot find space to record an item of £243,665 paid for telephone royalties, he does record in the same summary of the Telegraph Service an item of £4,349 for "telegram moneys refunded." He also gives a whole line on another page to an item for 6s. 6d. for old stores.

In connection with these telephone royalties

a further comment must be made. They are not earned revenue in any sense. They are obtained by the Post Office solely because Parliament has endowed that department with the monopoly of electrical communication. They therefore represent a tax which the National Telephone Company had to pay for permission to carry on its business. In just the same way the Bank of England has to pay a tax for permission to issue notes. The proceeds of the tax on Bank of England notes—£186,948—is properly treated as an item of National Revenue, and so appears in the Finance Accounts, but the proceeds of the tax on the National Telephone Company—£243,665—is treated as part of the Post Office earnings under the head "For transmission of telegrams, etc.," and, as already mentioned, is not even separately recorded.

Among other anomalies in the Post Office accounts the following example is interesting: The Estimates show an item of £58,000 paid to the "Railway Companies and others for the transaction of public telegraph business." This is treated as part of the expenditure of the department, but the sum of £536,049 paid to "cable companies, etc.," is treated as a diminution of revenue, and appears in the Finance Accounts under the head "Payments out of receipts."

Similar illustrations might be multiplied almost without limit, but these will suffice to prove the proposition that there is no rule or principle underlying the system of Appropriations in Aid. Yet under the operation of that system huge sums, amounting in the aggregate to several millions a year, are deducted from the real expenditure of the public departments.

To adjust all these innumerable items is far

beyond the capacity of any private individual. Not only are there too many of them, but they are in many cases hopelessly tangled up with one another. To revert, for example, to the Estimates for the Law Charges and Courts of Law (Scotland), the Appropriations in Aid of this service for the current year include the following items:—

Fines under various special statutes	...	...	...	...	...	£
						2,500
Less proportion of fines under Sea Fisheries Acts payable to Fishery Board for Scotland, under Act 7, Edward VII, cap. 42	...	...	...	...	...	1,000
						<u>1,500</u>

Imagine the complication of accounts involved under this single heading!

So much for Appropriations in Aid. We now pass on to deal with another source of inextricable confusion in our national accounts.

It is the practice for certain departments to do work for other departments without charging for the services rendered. Thus the Stationery Office supplies stationery to most of the Government Departments, including the War Office and Admiralty, but makes no charge to these departments. The whole cost is borne upon the vote for the Stationery Department. In the same way the Office of Works undertakes to supply buildings and furniture to other Government Departments, and the cost is borne upon the vote for the Office of Works. On the other hand, the Ordnance Department, whose business it is to produce guns and other munitions of war, charges the Admiralty and the War Office with everything supplied to those departments, and the cost is borne upon the Navy and Army Estimates. We, consequently, arrive at this amusing

contrast, that while the cost of guns supplied to his Majesty's ships by the Army Ordnance Factories at Woolwich properly appears on the Navy Estimates, stationery supplied to the Navy by the Stationery Department appears as a charge upon the Civil Service Estimates.

This contrast arises from the fact that the Ordnance Factories are represented in the Estimates only by what is known as a "token vote" for £100, although the actual expenditure upon these factories in 1908 was estimated at £2,835,100. The difference—namely, £2,835,000—represents the value of the goods supplied to the Army and Navy, and to the Indian and Colonial Governments, together with receipts from the sale of old stores, of surplus lands, buildings, and machinery. Thus, all the work done by the Ordnance Factories is charged to the departments on whose behalf it has been done.

On the other hand, in the case of the Stationery Office and the Office of Works, and of the Post Office, most of the work done is not charged to the department which uses the goods or services, but to the department which supplies them. For example, the cost of a new residence for the First Lord of the Admiralty, built by the Office of Works, is treated as a civil charge, but the salary of the same Minister is a naval charge.

So widespread are the ramifications of this vicious principle of making one department pay for what another department uses, that part of the cost of the Army and Navy is even concealed under what are popularly known as the Irish Estimates. In 1908 the vote for Public Works and Buildings (Ireland) included considerable

sums, properly chargeable to the Army and Navy in connection with new buildings for the Royal Hibernian Military School, and for the Coast Guard and Naval Reserves.

The Office of Works, which is responsible for these and other buildings, is also responsible for annuities payable upon advances made under the Tramways (Ireland) Act, 1895, and the Railways (Ireland) Act, 1896, but the annuities payable under the Light Railways Act, 1896, are charged, not to the vote for the Office of Works but to the Treasury vote.

The Office of Works is further responsible for the payment of rates upon Government property, with the result that a sum of no less than £132,000 a year for rates upon Admiralty property is transferred from the Naval Estimates, where obviously it ought to appear, to the Civil Service Estimates. In the case of War Office property the sum for rates thus transferred to the Civil Service Estimates is £218,000. In this case, however, a further anomaly arises, for the War Office is responsible for the Ordnance Factories, and these factories, as already explained, are treated as an independent trading concern, and must, therefore, be charged with all expenses incurred on their behalf. Consequently, the Office of Works first enters on its Estimates the whole sum to be paid for all rates for War Office buildings, including the Ordnance Factories—namely, £218,000, as above stated; it then enters as an Appropriation in Aid the sum of £25,800 to be refunded by the War Office for rates paid upon the Ordnance Factories.

Another example of the confusion between the accounts of different departments is furnished by

the Bankruptcy Department of the Board of Trade. This department is represented in the Civil Service Estimates by the net sum of £8 only; but the gross charge is £111,917, the difference being made up by Appropriations in Aid to the amount of £111,909. It might be inferred that the former of these sums represents the full cost of the department, and the latter its full receipts; but a note at the end of the Estimates enumerates a long list of items, all connected with the cost of this department, but charged to other heads of expenditure. The addition of these items brings the full cost of the Bankruptcy Department up to £145,433. On the other hand, there are certain receipts by the department not treated as Appropriations in Aid but as National Revenue, and these bring the total receipts up to £128,590. Thus the net cost of the department is £16,843, instead of £8 as appearing on the Estimate which Parliament is asked to vote.

The Public Record Office furnishes a somewhat similar example of how little information is conveyed by the figure which the House is asked to vote. The vote for this office is £24,820; but in addition expenditure amounting to another £12,000, or nearly 50 per cent. additional, is incurred on behalf of this office and charged to other departments. The Public Works Loan Commission is a still more striking case. The vote for this Commission is £3,707, but this figure is only reached after deducting Appropriations in Aid to the amount of £8,000 from a gross expenditure of £11,707. A footnote explains that a further sum of £6,232 is expended upon this Commission and charged to other departments, so that the sum of £3,707



voted by Parliament covers a real expenditure of £17,939.

These examples of confused inter-departmental accounts could be extended indefinitely, but one more illustration must suffice. It is taken from the Prisons Vote, England and the Colonies. This vote includes under the head of Incidental Expenses an item of £1,500 for postage. That is in itself an anomaly, for the general rule throughout the Government service is for the Post Office to carry letters free for the other departments, and to credit itself with its good deeds at an estimated figure in the Postmaster-General's Report. The Prison service for some unexplained reason is charged with its own postage, although its stationery, its office accommodation, and the rates due upon its buildings are charged to other departments. But that is not all, for a footnote to the Prisons vote explains that the gross expenditure upon postage is estimated at £2,000, but as 25 per cent. of this sum will be refunded by the Post Office, only the net expenditure is inserted. Yet this item of net expenditure appears in a column of items purporting to show gross expenditure.

How is it possible for any human being to disentangle such complexities as these? Until our national accounts are drawn up on a simpler and a sounder system the most painstaking inquirer must be driven to the confession that there is no means of ascertaining what is the total expenditure of the country.

Yet the presentation of a clear and complete statement is not beyond the capacity of the very able officials who prepare the Estimates and the various accounts supplied to Parliament. We are dealing, it must be remembered, in our

national finances, not with complicated questions of profit and loss, but with a simple income and expenditure account. In order to avoid entirely the present confusion the only thing needed is to follow the common-sense rule of charging each department with all its own outgoings, together with the estimated value of the services rendered to it by other departments. Parliament would then know precisely what was the gross cost of each department.

And that is what Parliament ought to know, for the duty of the House of Commons is to control expenditure, and it cannot efficiently discharge that duty if part of the expenditure on each department is paid for by casual receipts, and another part charged to other departments of the State. It should be an absolute rule throughout the service that all receipts, however arising, are to be paid into the Exchequer, and that no expenditure is to take place except against properly authorized issues from the Exchequer.

Under this system it is true that Parliament would in many cases vote the same sum twice over. It would, for example, vote £33,000 in the Stationery Office Estimates for printing undertaken for the War Office, and, again, it would vote £33,000 in the Army Estimates for the same printing. But that is an advantage, not a defect; for in such a case there are two questions which Parliament ought to ask. It ought to ask the War Office why the Army requires so much printing, and it ought to ask the Stationery Office why that printing is so expensive. In the same way in dealing with the Ordnance Factories the House of Commons should be called upon to vote, not a token sum

of £100 but the whole sum required for the gross expenditure of those factories. It would still continue to vote to the Army and Navy the sums required to pay for whatever war material was supplied to them by the Ordnance Factories. By this double vote the House of Commons would secure that complete control of expenditure which is now lacking; it would be able to call upon the heads of the spending departments to justify their demands for such and such materials and services supplied, and it would be able to call upon the producing departments to explain why these materials or services cost so much to supply.

No confusion would arise from this double vote, for against the gross expenditure of each department would be set all the receipts obtained by that department, leaving the net expenditure to be determined by a simple subtraction sum. At present neither the gross cost nor the net cost of any department can be ascertained except by bringing together items of receipt and expenditure collected from probably half a dozen different heads of account, and so intertwined with one another and with other figures that the final result must always remain doubtful.

The presentation of the national accounts in a simpler shape is, unfortunately, a reform which lies in the future. For the moment we can only deal with the accounts as we find them, and the best available material is contained in the Estimates to which such frequent reference has been made in the preceding pages. Taking the figures as shown in these Estimates, we find that the cost of the Civil Service and Revenue Departments has increased from £37,092,000 in 1898-9 to an estimated figure of £53,356,000

in 1908-9. Deducting from the latter figure the ominous sum of £1,200,000 which is set aside for the entirely new service of old-age pensions, we still have a total of £52,156,000 for expenditure in 1908 upon previously recognized services, or an increase of more than £15,000,000 in an interval of ten years.

The greater part of this huge increase of £15,000,000 a year in our expenditure upon civil purposes is explained by the increasing cost of public education, and of the services supplied by the Post Office. The figures are as follows :—

EXPENDITURE OF THE UNITED KINGDOM.

(As shown in the Estimates.)

	1898-9.	1908-9.
On Public Education ... ..	£ 11,950,000	£ 17,578,000
On Post Office, including Telegraphs and Telephones ... ..	12,197,000	18,322,000

It is not proposed here to make any detailed comments on these two items, for both involve large questions of policy. The increase in the cost of public education is due to the increasing adoption by the State of the principle that parents are in no way responsible for the education of their own children. As long as this principle was applied only to parents who were demonstrably too poor to pay even a few pence a week for their children's education, the burden upon the taxpayer was kept within reasonable bounds ; but the introduction of what is known as " free education " in 1891 opened the door for an unlimited expansion of the cost. If working-class parents earning £3 or £4 a week are entitled to have their children educated free of all cost to themselves in Elementary Schools,

middle-class parents earning £150 a year, who have given a primary education to their children at their own expense, may surely demand a share of the bounty of the State in the shape of free secondary education. And so the ball rolls on.

With regard to the Post Office, a large part of the increased expenditure is due to the expansion of business, and pays for itself. Part, however, is due to the ever-increasing demands of postal servants, who are also voters. It may be that these demands are all justified, but they are accompanied by political threats to Members of Parliament, which render a dispassionate examination of the question difficult to any Government dependent upon a parliamentary majority for its existence. The serious fact remains that the expenditure of the Post Office is growing with greater rapidity than the revenue. Taking the figures as shown in the Estimates, it will be found that in 1898-9 the expenditure was 76 per cent. of the revenue; in 1908-9 it was 80 per cent.

Until a Government arises with the courage to say that the primary responsibility for the education of a child rests upon its parents, and also with courage to say that Civil Servants are not entitled to preferential treatment at the expense of taxpayers often poorer than themselves, there can be no effective check to the growth of the expenditure upon the Civil Service and Revenue Departments. Apart, however, from the increased cost due to policy, there is also an increase in all branches of the Civil Service, which can only be attributed to the spirit of extravagance which has taken possession of Parliament and of the public departments. It would not be possible within the limits of

these pages to review in detail all the items of increase in our national expenditure upon civil purposes, but it is worth while to bring before the notice of the reader some particulars of the stupendous growth which has taken place in public expenditure. The following table shows the principal departments in which the growth of expenditure has been most rapid :—

## SOME ITEMS OF EXPENDITURE.

(As shown in the Estimates.)

	1898-9. £	1908-9. £
Extensions, repairs, and maintenance of—		
Houses of Parliament buildings ... ..	34,000	50,000
Miscellaneous legal buildings ... ..	51,000	78,000
Art and science buildings ... ..	29,000	80,000
Revenue Department buildings ... ..	351,000	723,000
Public buildings ... ..	260,000	573,000
Peterhead Harbour ... ..	22,000	32,000
Rates on Government property ... ..	411,000	655,000
Salaries and expenses of—		
Home Office ... ..	120,000	215,000
Board of Trade ... ..	178,000	313,000
Mercantile Marine Services ... ..	48,000	105,000
Board of Agriculture ... ..	99,000	148,000
Local Government Board ... ..	105,000	242,000
Stationery and printing ... ..	509,000	735,000
Office of Secretary for Scotland ... ..	13,000	37,000
Local Government Board, Scotland ... ..	11,000	17,000
Department of Agriculture and Technical Instruction, Ireland ... ..	nil	216,000
Valuation and Boundary Survey, Ireland ... ..	13,000	22,000
Prisons, England and the Colonies ... ..	596,000	720,000
Prisons, Scotland ... ..	77,000	96,000
Irish Land Commission ... ..	114,000	271,000
Diplomatic and Consular Services ... ..	403,000	573,000
Cyprus Grant-in-Aid ... ..	33,000	50,000
Superannuation and retired allowances ... ..	542,000	675,000
Savings banks and friendly societies deficiencies ... ..	56,000	110,000
Temporary commissions ... ..	18,000	50,000
Ireland Development Grant ... ..	nil	185,000

In examining the above figures the reader must be careful to remember that they only tell part of the story. They are the crude figures as published in the Estimates submitted to Parliament, but, as explained above, the actual

cost to the country of each department differs considerably from the sum which Parliament is asked to vote. The figures are, therefore, only valuable for the purposes of comparison. Covering such a wide field as they do, they prove the proposition which we set out to demonstrate, that the spirit of extravagance has taken possession of the whole administration of the country. Money is recklessly voted by Parliament, and is poured out like water by the public departments. The effect upon the nation is most serious. Money spent in paying wages to Government clerks for doing useless work cannot also be spent by the taxpayer in supplying the legitimate wants of his family. As a result the energies of the country are diverted from the production of useful commodities which sustain or embellish life to the multiplication of official documents which nobody reads, and to weaving an endless web of red-tape which only impedes national progress.

### III

## THE WASTE AND EXTRAVAGANCE IN GOVERNMENT DEPARTMENTS

ECONOMY is an old-fashioned virtue which of late has fallen from its once high position in the nation. Nowadays it is the policy which involves the greatest expenditure of public money which has the most potent attractions for publicists. Both political parties are involved in the credit or discredit of the change of attitude towards public expenditure which has taken place in recent times, but it is under the present Government that the upward movement has attained its greatest momentum. Retrenchment, which was once a Liberal shibboleth, is now held up to scorn by advanced politicians as an impossible and also undesirable ideal. Credit is even assumed for drawing with remorseless persistency upon those splendid reserves of national capital which have given the country its proud pre-eminence in the world's commerce. It matters not to the reckless finance of the day that Consols are at a dangerously low level, and that widespread uneasiness has been excited by the present position of the national credit. Sufficient unto the politicians is it to know that money is being poured out like water on schemes which they



have at heart. The pace at which we are progressing is illustrated by the simple fact that in five years the Civil Service Estimates have risen from £28,277,000 to £46,787,873. As fresh new liabilities have been created under the Insurance Act, there is every prospect that the money required for the Civil Departments will in two or three years' time be double what was asked of Parliament when the present Ministry came into power. Except in war-time, there has never been an occasion in the previous history of the country when a similar rate of increase in the national burdens has been seen. And the most disquieting feature of the position is, that the new expenditure carries with it the seeds of further heavy advances. The great army of officials brought upon the Estimates in the last few years are but the advance-guard of a mightier host who will have to be provided for, both in the matter of pay and superannuation allowances. No one knows what the Insurance Act will ultimately cost the State, but almost every impartial expert who has studied the scheme is of opinion that the liability will be enormously greater than the figure upon which the Government are working. Taking the position as it is left by legislation to-day, but without reckoning upon any fresh commitments, the prospects of national finance in the near future are such as to cause the most optimistic anxiety.

Not the least disquieting element in the situation is the manner in which the control of finance by the House of Commons has been undermined in recent times. The breathless rush of legislation, combined with the ruthless use of the closure, has reduced to a farce the once supreme function of the popular chamber of scrutinizing

the disbursement of public money. Detailed examination of the Estimates is made practically impossible by the system of apportioning the time of the House. There may be a discursive talk upon some popular or controversial item, or a protracted wrangle on a personal issue, and then down comes the closure upon a batch of votes involving possibly the expenditure of millions. Far better results would probably be secured if the House of Commons delegated its functions of detailed revision to a committee formed impartially from its own members, and having as its head some financial expert not associated with the administration. The Committee of Public Accounts already does splendid work in exploring and probing the dark recesses of the spending departments, and a new and larger authority might be expected in a wider field to bring a salutary influence to bear upon the administration of the public funds.

That the need for a continuous searchlight upon the operations of the Government Departments is pressing must be obvious to any one who has ever had much to do with the public service. While anything in the nature of actual corruption is happily rare, there is an astonishing amount of waste and extravagance largely due to the absence of business methods in the administration. In a great commercial concern a tight control would be kept over expenditure, and it would be somebody's business to see that there was no waste by overlapping or unnecessary effort. The Government Departments have, it is true, the Treasury to reckon with, but Treasury control is, after all, supervision of one set of officials unversed in business ways by another set equally unversed, and, as events have

proved, it often fails where it should be strong. There is too much of a fellow-feeling to allow always that exact application of principles which is demanded in the public interest. An amusing instance of this is to be found in the proceedings of the Committee of Public Accounts in 1911. An item under discussion was a payment of £300 a year to a first-class clerk in the Board of Trade as extra remuneration for acting as private secretary to the Chancellor of the Exchequer. After it had been brought out that the gentleman in question was receiving a salary of from £550 to £650 a year from his clerkship, the Treasury official in charge of the accounts was asked if £900 a year for acting as one of the private secretaries of the Chancellor of the Exchequer was not excessive, and replied: "They frequently have more than that; when I was private secretary to the Chancellor of the Exchequer my salary and allowance together amounted to £1,100 one year." This functionary evidently could not conceive that there was anything wrong about this grand scale of private secretarial allowances, because he himself had tasted its pleasant fruits. Yet the fact cannot be overlooked that the pay of a private secretary at the Treasury is about equal to that of an Under-Secretary in the House of Commons, or that of a County Court judge.

In the memorandum recently issued by Mr. Winston Churchill relative to the changes at the Admiralty, we have a rather startling indication of the extent to which extravagance has crept into the public departments. The new First Lord of the Admiralty had to set up a costly new department in connection with the much-needed War Staff, concerning which there has been so

much controversy. The change had somehow or other to be financed, and as the Navy is one of the quarters in which there is no desire on the part of the Treasury to lavish money at present, Mr. Churchill had to look elsewhere. His sharp eye, running over the naval establishments, detected a quartette of yachts maintained for the special advantage of the Commanders-in-Chief of the Nore, Plymouth, Devonport, and the Home Fleet. At one stroke he removed these from the Navy List, thereby eliminating a charge of £36,350 per annum. In the place of the yachts the admirals are to have an allowance of £500 a year each, so that after due provision has been made no less a sum than £34,350 is available for the freshly created War Staff—an amount more than sufficient for its needs. Now that the First Lord has the pruning-shears in his hands, he might with advantage cut away a few more excrescences. For example, there is the yacht *Enchantress*, which is the First Lord's perquisite. Its cost must run into many thousands a year, and yet it is absolutely unnecessary for any substantial public object. The notion that the First Lord requires it for the purpose of inspecting naval stations is an agreeable fiction manufactured to conceal its real character, which is that of a pleasure craft for the use of the executive head of the Navy. Sometimes, and notably during the tenure of office of Mr. Churchill's predecessor, it has been taken to the Mediterranean. The cost of each trip probably ran into four figures. Yet all public ends would have been met if the First Lord had proceeded by ordinary means of travel at a cost which need not have exceeded £50. There is the more necessity for the First Lord ridding

himself of this extravagance, because the Government as a body insists upon a rigid exercise of the virtues of self-restraint in the matters of junketing. We have only to consult the records of the Local Government Board to discover with what stern vigilance the official journeyings in a lower sphere are watched for lapses from the path of a nice rectitude in the expenditure of public money on personal comforts.

The appointment of an additional Junior Lord, who is to overlook the commercial side of the Admiralty, is a guarantee that the Admiralty administration as a whole is in the future to be run on more sensible and businesslike lines. The new departure will be watched with considerable interest by those who know something of the ways of Whitehall. It is interesting in this connection to recall that this is not the first attempt that has been made in the same direction. Mr. Gladstone, during his second administration, in 1884, appointed Mr. W. S. Caine to be Civil Lord of the Admiralty, largely with the idea that a man well versed in commerce would be of service in helping the department on the right path in its business arrangements. In recalling this appointment, the able London Correspondent of the *Birmingham Post* tells us something of the sequel. He writes: "Mr. Caine once told me of the tremendous struggle he had during his twelve months' tenure of the post with the permanent officials, in order to lead them to think commercially. Even when he proved to them that they were paying four times as much for certain tools as he, with his knowledge of the iron trade, could show they were worth in the open market, it was only with the utmost patience and trouble that he could persuade them not to

go on wasting the nation's money." The late Mr. Powell Williams, a well-known Midland business man, according to the same writer, had a similar experience when he was Financial Secretary to the War Office in Lord Salisbury's Administration. "The permanent officials bitterly resented his insistence upon applying commercial methods to national work, and it was only when he discovered an astonishing instance of chronic waste at Woolwich Arsenal, and exposed it to Parliament, that he could carry his point."

The spirit of stolid obstruction to the application of business principles evidenced in the cases of Mr. Caine and Mr. Powell Williams flourishes still with unabated strength. In this connection may profitably be studied the history of an incident or series of incidents which have occupied the attention of the Public Accounts Committee. In 1907 the Committee had before them the case of an Engineer officer who had transferred items from one account to another in order to adjust his accounts. Severe notice was properly taken of this case, and at the suggestion of the Committee a strongly worded circular was sent to all Engineer officers directing their attention to the case, and pointing out that such action "practically amounts to a falsification of accounts." The Committee, in their report, after referring to the circular, observes: "Your Committee hope that after this warning there will be no recurrence of such a case, but in the event of any resort to similar practices being detected, they consider that the offender should be punished with the severest penalty." Direct as was this intimation, only four years elapsed before the Committee again had to consider another case of a precisely similar kind to that animadverted upon by them

in the 1907 report. In this instance a truly amazing procedure followed at Chelsea Hospital was brought to light. Under the military regulations a system was introduced at the Hospital analogous to that obtaining in the Army, by which men who saved the wear of clothing were allowed cash instead of being granted a new uniform. By a method which is quite Gilbertian in its grotesqueness, the allowances for the uniforms not issued were paid by the quartermaster to the contractors, and were then paid back through the quartermaster to the men. To complete the absurdity of the transaction from the business standpoint, the quartermaster signed certificates vouching the receipt of all the clothing represented by the total amount paid to the contractors. Quite by accident the ingenious little arrangement was discovered, and then, of course, the official fat was in the fire. Investigation seemed to show that the method of paying for unissued uniforms had been in existence for many years, and that the quartermaster had only followed in the footsteps of his predecessors in attesting the receipt of clothing which, as a matter of fact, was never received. This, at least, was the view taken by the War Office authorities. Their representative before the Committee, when asked whether it did not occur to the quartermaster that he was adding to a gross irregularity the culpability for a deliberately false statement, pleaded that he was "rather a man of routine." Proceeding, the official apologist said: "He was perfectly right, so far as the substance of the matter was concerned; the contractor had got what he was entitled to and the men had got what they were entitled to, and I suppose he was told, 'This is

the way the accounts are rendered.' No doubt," added the witness, "he showed some lack of perception of the value of a certificate." Lack of perception! An official certifies that he has received goods that he has never received in connection with an arrangement in itself grossly irregular, and he is told by his superiors that he lacked perception. The term suggests Disraeli's description of Gladstone's invective. It might be equally sarcastic. Remember that four years before, the Committee had in the plainest and strongest terms inveighed against the practice of falsely certifying accounts in an Army Department. It had put its finger upon an evil, and it had every right to expect that such steps would be taken by the powers in Whitehall as to render further lapses of the kind impossible. The Army Council apparently, however, is a law unto itself. When the attention of its spokesman was drawn to the paragraph already quoted from the Committee's 1907 report, and he was asked whether the Council had fully carried out the Committee's recommendations in visiting the quartermaster's laches with a simple reprimand, he replied: "I think so, because I think that if this last occurred in civil life and had been taken into court, the view taken by the magistrate would probably have been that the offence was purely formal, that there was no damage, and no case for punishment by imprisonment or fine." A stranger view of official responsibility was probably never conceived than this. How eager the official apologist was to justify the Council's inaction is shown by his bold statement that "there was no damage." If by "damage" he meant loss to the Exchequer, he was clearly wrong; for a little earlier another witness had



stated that owing to the disclosure of the irregularities, the clothing scale had been revised in such a way as to effect a saving of about £100 a year. In any event, there was the most grievous damage to the reputation of the War Office for business aptitude, but perhaps this was a bagatelle in the eyes of the Council's representative.

Another War Office transaction which came before the Public Accounts Committee about the same period illustrates, in a different direction, the extravagant tendencies of the military departments. An item of £20,000 for the purchase of land in the West of England for a rifle-range was under consideration. In connection with it was a charge of £6,000 for "costs." As the Treasury solicitor is a paid official, and has a salaried staff to discharge legal business connected with the transfer of Government property, the Committee naturally wanted to know what this large amount represented. The Treasury representative, in reply to questions, said that the sum would refer to "law costs," and "probably, though I cannot speak by the book, the costs of arbitration in certain cases. . . . The title to the land is extremely complicated; it is mixed up with commonable rights on Dartmoor, which are a very difficult subject." But he was asked, "Where do these enormous costs come in? They cannot come in at the Treasury." "No," replied the witness; "they must be agency costs, I should think. The Treasury solicitor employs various people in the country to do work." There were other questions, but the Committee would carry the matter no farther. The nation, by the direct action of the Treasury, foots a comfortable bill of £6,000 for "costs" in acquiring a

piece of land not worth more than £20,000. The transaction is not rendered more palatable because the property in question is, as Lord Salisbury once sardonically described disputed territory in the vicinity of the desert of Sahara, "mostly light land."

To turn from the Army Accounts to those of the Office of Works is to continue in the same atmosphere of extravagance. A few years ago some old property in the vicinity of Windsor Castle was purchased by the Crown. The houses standing on the site were pulled down, and four cottages were erected for the accommodation of workmen employed in connection with the palace. Two of the buildings, reserved for mechanics, cost £950 each, and the other two, allotted to porters, involved the expenditure on construction of £620 each. As the amounts in question did not include the value of the site, the real cost of these "cottages" must have been at least £100 higher in each instance. Sir Schomberg McDonnell, before the Committee, defended the expenditure on the ground that the residences even of workmen "could not be quite commonplace in that part of Windsor." "Really, you must have some regard to scenic considerations," he argued. That is a consideration to be borne in mind, no doubt, but it should have been possible, it may be imagined, even in Windsor to house Government workmen by an expenditure a good deal less than that actually reached, which, in the case of the two larger cottages, approximates to what villa residences letting at from £60 to £70 per year would cost.

Ireland supplies some quaint material to those who delve in the records on national expendi-

ture. In the Estimates for 1909-10 appeared under the head of "extra remuneration" entries showing that the Associate King's Bench Division received £367 4s. 8d., and the train-bearer £367 4s. 8d., as Registrars on Circuit. With a praiseworthy inquisitiveness, the Public Accounts Committee endeavoured to ascertain what the true inwardness of these payments was. It came out in evidence that the Associate King's Bench Division is a salaried officer receiving for his duties the not inconsiderable emolument of £700 a year. The train-bearer is a personal attendant of the judge appointed, and dismissable by him at will. His payment for that honorific office is £100 a year. The Registrarship apparently is in the gift of the judges. The posts are conferred on salaried officers under Treasury authority on the condition that "the periods of the circuits were treated as part of their annual leave." Seeing that the Associate's extra remuneration amounted to more than half his entire annual salary, the obvious reflection is that the payment for a period which could be construed as "part of his annual leave" was grotesquely excessive. But he was not the only regularly paid official who enjoyed this handsome privilege of utilizing his annual leave. The Admiralty Marshal, who is paid £400 a year by the State, received also in the period indicated £183 12s. 4d. for acting as Registrar on Circuit. A member of the Committee put to the Treasury official in charge of the Estimates the inquiry whether there was any Admiralty business at Dublin. The reply vouchsafed was, "There is an Admiralty Marshal." The fact was so obvious that the answer can only be construed as an admission that the Dublin

Admiralty Marshalship is somewhat in the nature of a sinecure.

For crowning examples of official waste and extravagance—revealed, at all events—we must turn to the accounts relating to Royal Commissions. A Royal Commission was once wittily described as “an ever-present help to a Government in time of trouble.” It is certainly too often a convenient means of shelving an awkward question. There have, no doubt, been occasions when Royal Commissions have served a thoroughly useful public purpose; but it may be questioned whether in the great majority of cases the end achieved, if any, might not have been reached at infinitely less cost. There were no sharper critics of the official tendency to fly to the expedient of a Royal Commission than his Majesty’s present Ministers, but, as the sequel will show, the evil—for such it is, from the point of view of economical administration—has enormously grown during their tenure of power. Inquiries have been multiplied with reckless profusion in the past few years, and at the same time the expenditure in many directions has been increased to an appalling extent.

The subject is best examined in the cold light of figures. From 1866 to 1895 there were held 118 Commissions (exclusive of Exhibition Commissions), costing in the aggregate £525,318. Since 1895 an additional 62 Commissions have been appointed, and what they have cost may be seen from a glance at the table on page 77.

The figures are not complete for the 62 Commissions, as twelve of the inquiries have still to be completed. In the case of one body, the Historical Manuscripts Commission, the organization is on a semi-permanent basis, and

for many years to come a grant in respect of its operations is likely to figure in the Estimates. Taking the figures as they stand, even without allowances for the future, they are sufficiently startling. They indicate that in the last sixteen years the grants for Royal Commissions have exceeded the amount charged to the same account in the previous thirty years. A fact still more startling is that in the last six years, covered

Year ending March 31st.	Main Cost.	Additional Expenditure.	Office Accommo- dation.	Printing and Stationery.
1897	£18,740	£5,203	£2,653	£2,000
1898	31,923	12,449	5,018	1,500
1899	21,792	12,004	5,043	1,200
1900	22,000	10,863	4,002	1,200
1901	17,524	9,436	3,985	1,200
1902	20,231	9,541	3,940	1,550
1903	44,000	9,134	3,870	1,250
1904	52,000	9,655	4,300	4,000
1905	50,000	9,501	2,750	1,000
1906	32,804	8,221	2,470	1,000
1907	47,000	7,252	2,310	1,000
1908	64,000	13,470	3,220	1,500
1909	59,000	23,568	4,916	10,500
1910	45,000	27,003	5,195	10,500
1911	39,000	28,472	6,539	10,000
1912	33,000	27,868	6,196	10,000
	589,014	224,640	66,467	59,400

by the tenure of power of the present Government, the main grant for Commissions has reached a total of £278,000, or more than half that for the sixteen-year period, and considerably more than half that for the thirty years from 1866 to 1895.

If the table given above is analysed, it will be seen that the enormous growth of expenditure indicated by these figures is reflected in the

"additional expenditure" which covers office accommodation, printing, and stationery, rates, the cost of special inquiries, and other like charges. The additional expenditure for 1912 is more than five times what it was in 1897. Taking the last four years alone, the total figure was £106,911, or not very far from half the total of the entire period of sixteen years. Printing, by itself, in these four years has cost £41,000, as against £59,400 for the full period. Office accommodation has involved a charge (exclusive of rates) of £22,846, which is almost exactly a third of the sum allotted for the sixteen years. The fact that the present Government has appointed no fewer than twenty-five Commissions explains to some extent the altogether abnormal growth of expenditure on Royal Commissions in the last few years. There has been in this, as in other branches of the State service, a reckless piling up of responsibilities without the slightest regard to the ultimate cost. But the evil is more than a mere passing phase of governmental folly. It goes deep down into our governing system, which has been built up, not by business men for business men, but by amateurs for amateurs. The Royal Commission itself is, there can be little doubt, very much in the nature of a fetish. Occasionally the enormous expenditure upon it is justified, but more often than not the expenditure is altogether out of proportion to the benefits achieved. In a State ruled on business principles, instead of setting up the cumbrous and extravagantly expensive machinery of a Royal Commission to determine a point of special interest, the authorities would entrust some experienced public man of the type of the Chairman of Committees in

the House of Commons with the duty of threshing out the point with the aid of two or more experts. In ninety-nine cases out of a hundred better practical results would be reached under this system than under the present one, and the cost would probably only be a tithe of what it now is. An illustration of the absurd lengths to which the Royal Commission mania has been carried is to be found in the case of the Sewage Disposal Commission. This body has been sitting for thirteen years continuously, and it still cannot promise its report within an earlier period than two years. It may freely be acknowledged that some valuable light has been thrown by the investigations conducted under the authority of the Commission on the question of public sanitation, but the enormous cost of the Commission—£62,863 to date—is out of all proportion to the character of the work entrusted to the body. A Royal Commission is not, or should not be, a vehicle for elaborate scientific investigations necessarily undertaken in the laboratory. Such operations can be very much better carried through under the guidance of a single expert directed by a Government Department. An amusing instance of the danger of rushing a Royal Commission into the field of technical research is to be found in the records of the Commission appointed a few years ago to inquire into the Pathology and Etiology of Epizootic Abortion. The Commission had got fairly under way with the consideration of the highly abstruse problem set it, when it received a letter from the Board of Agriculture, stating that the inquiry had become complicated by the discovery that the microbe of contagious abortion in sheep was found to be totally distinct

from that to which the disease of cattle is attributed. Of course, while the exalted functionaries of the Board of Agriculture were chasing the merry microbe through their laboratories, the Commission was running at full steam, with paid secretary and staff, shorthand writers, separate office, and all the paraphernalia of an official organization.

The whole system of Royal Commissions is built on such ridiculously extravagant lines that it is amazing a reforming broom has never been pushed in its direction. Take the one item of office accommodation. The sum now expended on rent if capitalized would reach the colossal figure of £1,500,000—that is to say, the Government is spending on the housing of Royal Commissions an amount equal to what the London County Council is laying out on its new County Hall for the accommodation of its entire staff. The price for which the nation has to pay so dearly is clearly revealed if any one takes the trouble to make a tour of the Royal Commission offices. They are to be found in all sorts of odd places. One is housed in a mansion in St. James's Square, another has a home in one of the streets near Queen Anne's Gate, and others find refuge in one or other of the older buildings in Whitehall. There is nothing in common about them except their extreme costliness, and that is an unvarying element in the situation. If it was anybody's business to look after the administration with a view to economies, a clean sweep would be made of the entire arrangements. A building of moderate dimensions would be provided, in which all Commissions would be accommodated. If a special meeting-place were required, one of the committee-rooms at West-



minster would serve all needs. That there is no real need for the separate office system is proved by the fact that in quite a large number of cases the secretaries are Government officials, whose chief duties necessarily prevent them from putting in any regular office time. The commission offices are usually in charge of a clerk and office boy, who find time hang somewhat heavily on their hands during most of the year.

The unnecessary expenditure in the matter of printing in the case of Royal Commissions is on a par with the extravagance shown in regard to office accommodation. Huge sums are absolutely wasted by the production of those "dead books" against which Lord Rosebery recently inveighed. A common form of extravagance is the inclusion in the reports of elaborate plans and diagrams—things very beautiful to look at, but extremely expensive. One of the eight volumes of the London Traffic Commission Report cost £1,059; another, £1,552; and these figures did not include the cost of lithographing maps, which amounted to about £1,500. No one can possibly urge that expenditure on this scale was justified by the subject. Another direction in which there is waste is in the printing of evidence. Communications of the smallest value and of the most portentous length are included in the Appendix, which has been aptly described by a past Secretary of Royal Commissions as "the waste-paper baskets" of those bodies. The entire printing system of the Government badly wants overhauling. Any professional literary man who could not, with the aid of an expert printer, save one-third of the cost of Government publications, and produce

infinitely more impressive results, would not be worth his salt.

We have only skimmed the surface of Government expenditure. Doubtless, if we could penetrate beneath the crust formed by official exclusiveness, we should find other and still more extraordinary proofs of the extravagance which accompanies the disbursement of national money. "Easy come, lightly go" is a saying which nowhere more directly applies than in the domain of public expenditure. What is everybody's business is nobody's business, and so there is no effort at economy. The Government's attitude towards finance in recent years has tended to strengthen the feeling of apathy and indifference which are ever too marked in public offices. By simultaneously abridging opportunities of debate on the Estimates, and creating fresh new liabilities, Ministers have appeared to show that they rate very lightly the necessity which is brought home to every individual in his domestic affairs of making both ends meet. The inevitable consequence is that public liabilities are mounting up by leaps and bounds, not only in regard to the new legislation but as to the older sources of expenditure. Where it will all stop he would be a bold prophet who could say. For the moment the voice of the economist is as of one crying in the wilderness. Nevertheless, it behoves every man who has influence to bring home to the public the dangerous course along which the ship of State is being steered, and the urgent necessity there is for new bearings to be taken if she is not to get on the rocks.

#### IV

### THE BREAKDOWN OF THE BOARD OF TRADE

ONE of the first enterprises to which a "business Government"—when we get one—will set its hand is the overhauling of our administrative machinery. In some respects our official system is hopelessly archaic—a survival of the remote past, when totally different conditions prevailed in every department of the nation's life. At almost every step the wanderer in the labyrinths of Whitehall is confronted with some absurd and costly anomaly which should, in these modern times, never have been permitted to exist. Only the other day a correspondent of the *Times* was complaining of a particularly irritating anachronism in connection with the publication of the grants of the Ecclesiastical Commissioners. Under the provisions of the law the Commissioners are required to make public the terms of the grants and the amounts. In 1912 there were seventy-eight of them, and though they were in nearly every instance identical in character, each of the seventy-eight grants was set out in full in the pages of the *London Gazette*. Subsequently the same farce will be repeated in the report of the Commissioners, red-tape, or something akin

to it, prohibiting the simple expedient of setting forth the terms of the grant in one case and giving the designations of those to whom they were made in a list attached as a schedule. Considerable money, of course, is wasted in this wooden adherence to an old regulation framed when the grants were very few in number. But as it is nobody's business, apparently, to examine and revise official systems, the practice is likely to continue. The example cited by the correspondent is typical of much that goes on in the public service. In a private undertaking obsolete or out-of-date methods are dealt with as a matter of course ; but in the Government service, unless the public searchlight is turned by some accident upon a department, it stands very little chance of any effective remodelling in important particulars in which it has been left behind the times.

The tragedy of the *Titanic* has drawn an especial degree of attention to the weaknesses of our administrative system. However we may feel about the splendid courage and supreme devotion to the highest ideals of those who went down in the ill-fated ship, we cannot as a nation be otherwise than humiliated at the exposure of the incapacity of our bureaucracy which the disaster brought about. And the blow to our self-esteem has been the greater because we have been shown to be lamentably wanting in a department of human activity in which we are supposed to be pre-eminent, and in which, as a matter of solid fact, we have hitherto given a lead to the world. Some of the official evidence tendered before the Court of Inquiry would be laughable if it were not so damning an indictment of our entire system. That our Board of Trade

should have sat still with folded arms for eighteen years while steamship construction was advancing by leaps and bounds—while, in fact, as great a revolution was proceeding as has ever marked the history of navigation since the first application of steam—was bad enough. But that officials with the full facts before them should seek to justify that inaction, and represent the worn-out regulations as the very last word in the problem of boat equipment for ocean liners, makes one almost despair of our future as a governing race. If we could lay to our hearts the flattering unctiousness that our officials had only erred with those of other countries, we might feel less mortified. But, unhappily, as the facts laid before Lord Mersey's Commission clearly show, if the *Titanic* had been a German vessel she would have carried sufficient boats to have taken off every soul on board. It is easy, no doubt, to exaggerate the importance of boats as life-saving agents. As every one who has been any length of time at sea knows, the conditions of weather and sea which were experienced at the time of the foundering of the *Titanic* were abnormally favourable for the boats, and they may not recur for many years in the case of a wreck. Still, it is manifestly wrong to allow steamships of 50,000 tons burden to sail with no greater equipment of life-saving craft than vessels of a fifth that tonnage. The view of the Board of Trade appears to have been "that the increase of tonnage and the increase of passengers carried were counterbalanced by the greater safety of the ship." But the same brilliant idea did not enter into the brains of German officials, and that even in Whitehall it was thought to leave something to be desired is shown

by the fact that in 1911 an Advisory Committee was appointed to consider the question of boat regulations, especially with a view to the desirability of increasing the scale. The step taken then might have saved the situation and possibly the lives of the *Titanic* victims, but the vices of the system upon which the Board of Trade works were too deep-seated to permit of the right thing being done. All that resulted was the issue, in July, 1911, of a fumbling report which, if adopted, would have given the *Titanic* a scale of boat equipment even below that which was actually adopted by the White Star Company for the ill-fated vessel. The report, inadequate as it was, it might be supposed, would have been given effect to as a matter of course, but that is not the way of Whitehall. The document had to be considered by "the Board," of which more anon; and nothing, therefore, was done until April 16th last, when, the news having come through of the *Titanic* disaster, it seems to have been thought advisable to show a little activity, so a letter was issued to the Advisory Committee inviting their attention to the desirability of extending the scale of boat equipment and asking them to investigate the question of searchlights for ocean steamers. According to the evidence, instructions were issued for the writing of a letter in regard to the problem of boat equipment as early as April 4th, but no explanation was given as to why the communication was not actually written. Recently the Committee has reported in favour of sweeping changes. The stable-door, in fact, has been securely locked now that the horse is missing.

To the common-sense mind, one of the most irritating features of the whole business is the

portentous solemnity with which the officials invest their do-nothing policy. We hear at every turn of "the Board" and of the necessity which exists for the close consideration of questions by this mysterious entity. The public at large, if it thinks at all, probably pictures a weighty conclave of commercial experts sitting in one of the rooms of Whitehall, deliberating in the light of long experience on the matters at issue. How very different the actual state of affairs is may be gathered from a perusal of the official literature relating to the Board. For example, Mr. J. Booth, the then Chief Secretary of the Board of Trade, in giving evidence before a Select Committee which met in 1864 to consider the relationship of the Board to the Foreign Office, spoke as follows: "There is in practice no such thing as a Board of Trade or a Committee of Council for Trade and Foreign Plantations. At the commencement of each reign an Order-in-Council is passed, constituting the Committee for the consideration of all matters relating to Trade and Foreign Plantations, and naming certain high functionaries in Church and State as the members constituting that Committee: the Archbishop of Canterbury, the Lord Chancellor, the First Lord of the Treasury and the Secretaries of State, the Chancellor of the Exchequer, and some others."

"Does the Committee ever meet in point of fact?"

"It never meets; it is entirely a fiction, and by the same fiction that there is a Committee for Trade, the President is never absent."

As a supplement to this description may be given the following extract from the evidence of another official witness—Sir Louis Mallet—who

spoke with authority on the broader aspects of the Board's operations :—

“ The original idea of the Board of Trade was that it was a Board composed of men whose opinion and judgment upon all commercial questions submitted to them was of a kind to carry great weight with the public and the Government. I speak of the original constitution of the department as a Committee of the Privy Council for Trade, whose function was to report to the Queen in Council upon matters referred to it from the Queen in Council. Those reports became State papers, and became the natural groundwork for the Imperial policy of the State upon commercial questions. That was the original idea of the Board of Trade as a consultative office. But the constitution is now merely a name, and no longer exists in reality ; there is at present no Board, not even the fragmentary Board which used to exist when I first became connected with the department—namely, a Board composed of the President, the Vice-President, and the two Secretaries, who used to meet for the transaction of business. Even that vestige of a Board has been removed for many years now, and nothing remains but a Minister, whose principal functions are executive, and who in no sense represents a Board. That being so, it can hardly be expected that the opinions of the department as a consultative department should carry the same weight as they originally did. Practically, reports to the Queen in Council are never made, and the consulting business of the department is carried on by means of correspondence with the great executive officers of State, to which advice is given, that advice being either adopted or set aside at the option of the Minister who consults the department.”



This picture of the Board of Trade is as true to the original to-day as when drawn nearly a half-century ago. If anything, the pious fiction to which the witnesses testified with such touching fidelity exists now in a more pronounced form than it did in 1864. The Board implies nothing more than the Minister who represents it in Parliament, and as in recent years the tendency has been to make the post of President the shuttlecock of the party game played at Westminster—to select the Minister with a special eye to labour questions—the department, to an increasing extent, has fallen into the hands of permanent officials. It is the exception rather than the rule for the occupant to have any business knowledge. The two most recent Presidents—Mr. Winston Churchill and Mr. Sydney Buxton—were quite innocent of the rudiments of a commercial training. They are good politicians, however, and they have taken care that nothing should be wanting to make the department subserve the interests of their party as occasions for the display of its activities have arisen. In effect, the Board of Trade in recent years has been to a large extent a Labour Department. Its energies have been mainly devoted to the elucidation of industrial problems and to the manufacture of statistics bearing upon trade disputes. The work done in this direction has no doubt been useful, but the concentration has been made at the expense of other important functions, and not least probably those which touch the shipping industry. A Minister who is called upon almost every week to take a hand in settling a strike can hardly be expected to give much time to such a purely routine matter—as it may at one time have appeared to be—of

fixing the standard of the life-saving equipment of ocean steamers.

The bureaucratic influence at the Board of Trade has for many years been so firmly entrenched that, with very rare exceptions, it has been able to resist outside control. If its record had been one of uniform success in handling commercial interests, we might be prepared to concede that the arrangement which supplanted the original system was a wise one. But we have only to glance a little into the past to see how ignominiously it has sometimes blundered and how sadly lacking in prescience it has been. Take, for example, its attitude towards the question of bulkheads. Recent events have shown how vastly important this matter is in the domain of life-saving at sea. So highly pertinent, indeed, is the business considered to the scientific equipment and construction of ships that an official committee is sitting to consider it. But the officialdom of the Board of Trade, when the desirability of exercising some supervision over the provision of bulkheads was suggested thirty years ago, poured cold water upon the idea. The episode is so instructive as a specimen of the Board's dealings with practical questions that it may be well to refer to it in some detail. The point was raised in a question put in the House of Commons on April 24, 1882. The President of the Board of Trade, who happened to be Mr. Chamberlain, was then asked whether his attention had been called to the numerous collisions which had taken place between steamships and the great loss of life and property arising therefrom, and whether he would consider the expediency of amending the Merchant

Shipping Act so as to make it compulsory for vessels carrying passengers to be fitted with longitudinal bulkheads, so as to subdivide their watertight compartments. The reply put into Mr. Chamberlain's mouth was as follows :—

“ I am fully aware of the number of collisions between steamships. It is, however, satisfactory to know that the number of lives lost by collisions at sea has decreased considerably during the past two years, notwithstanding the great increase in the numbers and size of sea-going ships. For the greater security of life and property I look rather to the strict observance of the rule of the road than to any attempt to regulate the details of construction of ships by Act of Parliament. This view is supported by experience. At one time the Merchant Shipping Acts contained an enactment on the subject of bulkheads, but the minimum required by a statute is apt to become the maximum in practice ; and since the compulsory clause was repealed the number of bulkheads has greatly increased, and they have also become more efficient.”

The melancholy experience of the *Titanic* is a sufficient refutation of this view of the expediency of any official regulation of the construction of bulkheads. In any event, if there is to be regulation at all in the interests of the safety of passengers' lives, it is impossible to overlook the question of the efficiency of the watertight compartments of a steamer.

While the Board of Trade has at times been disposed to inaction where circumstances demanded the adoption of a vigorous policy, it has in others pursued a course which proved mischievous. A case in point is supplied by

the experience in the seventies of the Board's regulations with reference to the ventilation of coal-ships. In 1876 the Royal Commission on Spontaneous Combustion and Explosions reported "that former Courts of Inquiry under the Board of Trade had proved powerfully influential in a dangerous direction." As a consequence, presumably, of this damning indictment the impugned regulations were not enforced for three years. During this period there was actually no loss of life from spontaneous combustion. In 1880 the regulations were once more put in operation. In the result, as the official statistics show, there were 24 vessels and 11 lives lost from spontaneous combustion, while the record of missing ships and lives was double those figures. The action taken in reference to grain-laden ships under the Carriage of Grain Act, 1881, for whose provisions the Board of Trade were ultimately responsible, was equally unfortunate in the light of facts laid before the Royal Commission on Loss of Life at Sea, which sat in 1887. By the provisions of this enactment a system of "through ventilation" was enforced. Protests were made against the regulations on the ground that the deck-openings involved were a source of danger, but the authorities insisted on the application of the principle in all cases. The statistics tell their own story as to the ill-judged nature of the official action. For the period of three years, 1879-81, the average loss per year was, in ships 74, in lives 386. In the year 1881-2 the loss was, in ships 68, and in lives 551. So far, therefore, from the regulations having saved lives, the mortality was considerably greater after the passing of the Act.

It was probably because of the shortcomings revealed in the official system in these and like circumstances that Mr. Chamberlain was constrained, in June, 1882, to recommend that the Marine Department of the Board of Trade should be brought into better relations with the shipping interests of the country, either by being reconstituted or by means of a Shipping Council partly constituted by election. His proposals awakened considerable interest at the time, and if they had been carried out in their integrity they would have gone a long way to make the department an effective instrument for its purposes. But there was opposition in various quarters, and in the end the representative Council, kept in close touch with the shipping interests by a partial system of election, resolved itself into a Merchant Shipping Advisory Committee, appointed about a quarter of a century afterwards to deal with the particular question of boat equipment. This body, which was created in connection with the Merchant Shipping Act of 1906, consists of twenty members representing various phases of the shipping industry, but having on it an undue preponderance of shipowners. There is nothing to be said against shipowners. As a body they are amongst the very *élite* of our mercantile class. But they are not exactly the right kind of people to sit in judgment upon their own interests. Almost naturally their inclination, when on a Committee, would be to take the line of the least expense in cases where there was a doubt, and by the same token they would be likely to underrate the necessity of making provision for new conditions. If outside aid had been sought there should have been a wider representation of the public

interests as distinguished from those of the ship-owners. It would have been possible to have got together an expert body without giving great shipowning firms the dominant voice in the deliberations.

The ignorance or indifference which led to the appointment of the Advisory Committee on the lines indicated is, unhappily, typical of the Board in its modern phase. The system of inspection of boat equipment has degenerated into an absolute farce. This statement may be justified, not only by the imperfect arrangements which were associated with the *Titanic*, but by the still graver defects of the official system brought to light by the inquiry into the wreck of the P. and O. steamer *Oceana* in the Channel. Although the boats were "inspected" immediately prior to the departure of the vessel, one of them was found to be leaking badly when the crisis to the ship came about twenty-four hours later. Several other boats at the same time were lacking in essential equipment. There is no suggestion of blame other than that which attached to an imperfect and unsatisfactory system. The officials, no doubt, acted as they had been accustomed to act for years. As for the P. and O. Company, the testimony of the Court of Inquiry, as expressed in their judgment, is that the company was not responsible for the patent deficiencies in the rules, its ideal being "the complete equipment of all boats."

What the public, in point of fact, is suffering from is the effects of an overdose of officialdom. A bureaucracy may be a good or a bad thing as circumstances occur, but it is manifestly not, in its unadulterated form at least, a satisfactory machine for directing the complex commercial

affairs of a country such as this, whose interests are world-wide and touch at every point movements and influences which are constantly changing. The blood of such an organization is too stagnant for effective initiative when initiative is demanded. There is an irresistible tendency for the work to get too much in a groove and for the system to become fossilized. Changes that are made are usually forced from outside, and not always in the wisest form. The extremely varied character of the interests entrusted to the Board has intensified the inherent weaknesses of the system. There are in all seven separate departments in the Board of a widely different character, as the following list of titles sufficiently indicates: (1) Commercial, Labour, and Statistical, (2) Railway, (3) Marine, (4) Harbour, (5) Finance, (6) Bankruptcy, (7) Fisheries. It would require a special genius to permeate each and all of these with the spirit of enterprise and progress which is called for by the necessities of the age.

The need of the time is for an infusing of life into the dry bones of the official organization, so that there shall be a full consideration of all matters in the light of the most recent experience. The Board should be made a Board in fact as well as name. The best men should be got to sit upon it, irrespective of party considerations. As in the eighteenth century there was no difficulty found in the way of introducing an unofficial element, so now in the twentieth century there need be no scruples about making the Board a really living entity. If necessary, in the selection of members the old precedent of making appointments from amongst the ranks of Privy Councillors might be strictly adhered to. In

the Privy Council of to-day there are many captains of industry and merchant princes—iron-masters, shipowners, and the rest—who would gladly act, and who would be a tower of strength in the direction of the affairs of the Board. The reformed Board would necessarily not be a large one. Multiplication of members would make for ineffectiveness, and tend to reproduce the fate of the original Committee of the Privy Council. Probably a single outside representative for each of the Board's seven departments would suffice to constitute a really workable organization. The powers of the Board would be analogous to those of the Board of Admiralty. It would be their duty to supervise the working of the official machinery and instruct and advise, but they would not be competent to direct policy. Many objections will no doubt be urged to the adoption of a course which would give the outsider a footing, however slight, in the Government Departments. The tendency in recent years has been to exalt the bureaucracy, not to minimize its influence. For that reason the opposition will be all the more strenuous. But the public, as distinguished from the knot of interested officials and placemen, is becoming rather tired of the attempt to make the executive a despot, free from any sort of control or restraint but that of Parliament, which in its turn is a slave of the executive. It will, sooner or later, insist upon measures which give greater freedom to the play of forces which, in the ordinary walks of life, are used to signal advantage.

The Board of Trade would, there can be little doubt, materially benefit if the labour interests were separated from the general work of the department. Of late years industrial questions



have enormously increased in importance and volume. We seem nowadays to be living in a chronic condition of unrest, and all the portents are that the strain will be greater rather than less in future. A special Labour Department with a Minister in charge would have seemed almost revolutionary a few years ago, but to-day it appears in the light of a natural development of the situation into which we have been precipitated by a series of events—partly avoidable, partly inevitable—and the operation of new forces. The connection between the adjustment of labour troubles and the oversight of general trade interests is not so close that there need be any fear in severing the tie. There is, at all events, in either direction a sufficient amount of work to occupy the attention and exercise the talents of the most versatile and industrious of Ministers. And the divorce would allow of a much-needed concentration upon the work of strengthening our commercial system to meet the competition of rivals, especially in foreign markets. Although a good deal has been done in this direction of late years, we are still lamentably behind Germany and the United States in the matter of official encouragement of trade. Our Consular Agents are a splendid body of officials, who do credit to the nation in all that concerns the maintenance of British prestige, but they lack for the most part commercial training and that intimate knowledge of business movements which are essential to success in these hustling modern times. What is urgently needed is the development of the Commercial Information Bureau of the Board of Trade, with special reference to the changes that are constantly going on in the world's trade. Our manufacturers

should be placed in a position to take full advantage of these changes—if possible to anticipate them. To this end there might be created a staff of travelling trade commissioners, who would make periodical surveys of promising fields and place at the disposal of commercial enterprises at home the full results of their experienced observations. Germany sets an example in this. When the question of the appointment of commercial attachés was under discussion in 1886, Mr. Bryce, who was then Under-Secretary of the Board of Trade, indited an illuminating memorandum, in the course of which he outlined a scheme of this kind. He wrote :—

“Our diplomatic representatives (even supposing that they could quit their posts to travel when required) are not always qualified by their knowledge, by their literary skill, or by the possession of a keenly observant mind, to obtain the right sort of information, or to present it in effective form. There would be ample occupation for two or three men of exceptional aptitude in going from place to place to report upon subjects belonging to what may be called the realm of economic and social progress. One might be kept busy in the United States, where the diversity of laws and the continual development of new branches of industry furnish an almost boundless field for instructive inquiry: two more in the Continent of Europe, with most of whose States we have frequent negotiations on commercial questions in which a knowledge of their commercial condition becomes important.”

Mr. Bryce's admirable suggestion was not adopted; but Germany, which in trade matters is never trammelled by official convention, never

misses an opportunity of sending abroad to a promising area for the expansion of her trade the right kind of special representative. Quite lately, to select a single instance, she has planted one of her trade emissaries in Canada, in order to take the fullest advantage of the more improved relations which have recently been established with the Dominion Government. It is hardly open to doubt that she will be repaid a hundredfold the expenditure involved in her action. The prestige carried by an emissary of the kind is great, and openings for commercial intercourse are made which in ordinary circumstances would not be easy to create. Germany's scientific system of promoting trade as a whole is worthy of close attention in any reconstruction of the Board of Trade that may be decided upon. The whole of her splendid machinery of government is directed to the task of helping the country's trade abroad, and to better secure the objects in view there is close association between her diplomatic and her commercial representatives. Our arrangements for representation abroad need to be more infused with this spirit. Diplomacy must not stand aside, wrapped in a mantle of indifference, while important contracts are being given to our rivals, or while new fields are being occupied by them to our exclusion. If the Ambassador is too exalted a personage to take a hand in the business himself, he ought to have at his disposal a representative of trade interests of requisite knowledge and ability to undertake the work. An intimate association between the Board of Trade and the Foreign Office is, indeed, all-important if we are to hold our own in the world's markets.

So far from there being anything revolutionary

in making the Board of Trade an organization for the encouragement of trade instead of an unwieldy body choked to repletion with multifarious routine duties, which of necessity it discharges inefficiently, it is fully in accord with the original conception on which the official superstructure was built. The genesis of the Board is to be found in Cromwell's commercial policy, which was directed to the building up of the country's trade on stable foundations. His Navigation Acts, which provided that all merchandise imported into England should be brought in by ships which were English built, owned, and manned, gave such a great impetus to commerce that special measures had to be taken for its official oversight and regulation. In the period of the Restoration the advantages secured were largely sacrificed by maladministration, and the new department faded out of existence. But with the Revolution came a trade revival, and then the Committee of the Privy Council originally appointed was resuscitated, with, as one of its principal objects, the making of an inquiry into "trade obstacles." To-day the same necessity exists, and it behoves our legislators to see to it that the Board of Trade is made fully efficient for the purpose. With a proper system of reorganization on some such lines as have been sketched, there should be no recurrence of the scandal of regulations for boat equipment left unaltered while shipping construction was undergoing momentous changes, and we should be able to have some confidence that the vast commercial interests of the country would be adequately safeguarded abroad as well as at home.

## V

### SOME PUZZLES AND LESSONS OF THE CENSUS OF PRODUCTION

To all ardent statisticians, whether of Tariff Reform or Free Trade proclivities, we cordially recommend a copy of the Final Report of the First Census of Production of the United Kingdom (1907). It is true that the subject of the Report is five years old, that the book runs to nearly a thousand pages, and turns the scale at 5 lb. But as Government Blue Books are sold by weight (*mirabile dictu*) the cost is only 7s. 6d.; and we are quite certain that a public speaker of moderate intelligence can extract enough material from it to confound any average audience on either side of politics, no matter what their economic predilections may be. We are also quite certain that the volume will be an abiding joy to the voracious students of the London School of Economics. And, finally, we are convinced that more economic fights will be waged over the devoted head of this unfortunate Blue Book than were ever dreamed of when the Board of Trade clerks started worrying busy manufacturers with the buff forms of commercial inquisition.

The Blue Book was not ten days old when Mr. L. G. Chiozza-Money had rushed into print

to declare that "the Report does not afford much satisfaction to Tariff Reformers"!

Before proceeding to review some of the important matters dealt with in the Final Report, we wish to refer to two points. The first point is the serious discrepancies which exist between the Final Report and the Preliminary Reports; the second is the extravagant waste of time and money which appears to have attended the working of the Census of Production Act. We had hoped that one of the prominent political daily papers would have referred to the subject, but we fear that the receipt of the ponderous Report has been merely "noted" in many editorial sanctums and put on the library shelves.

Many advanced countries have, for years past, been able to publish statistical information respecting their production; and when the compilation of similar figures was suggested for the United Kingdom, it was readily accepted by both political parties and the Census of Production Act of 1906 was passed into law. A new sub-department of the Commercial Labour and Statistical Department of the Board of Trade was constituted, and the year 1907 was chosen as the first censal year. According to a note in the present Report, "the initial organization of the Census of Production Inquiry was carried out by the late Mr. D. F. Schloss, and its completion, together with the issue and receipt of the Schedules for the first Census, was effected under the charge of Mr. H. Fountain, who acted as Director for a period of nearly three years, following the retirement of Mr. Schloss in the year 1908." We have no knowledge of the departmental careers of the late Mr. Schloss or of Mr. H. Fountain, except that the latter was

a clerk at the Board of Trade when he was appointed to undertake the very responsible duty of acting as Director of the Census on the retirement of Mr. Schloss in 1908. The years 1908, 1909, and 1910 passed with little more than half the Preliminary Census Reports being placed in the hands of the public, and it became obvious that if matters were not speeded up, a quinquennial period would have elapsed before the year 1907 had been dealt with. Early in the year 1911 Professor A. W. Flux, M.A., took Mr. Fountain's place. Mr. Flux has not only had a long and extensive experience of statistical work, but has occupied such distinguished positions as Professor of Political Economy at Owens College and at the McGill University, Montreal; and he very soon brought order out of chaos. Within two years of his appointment the whole of the statistical data was overhauled, statistical fallacies were detected, additional information of value was collated, and the result was given to the public in the shape of the portly statistical tome now under review.

In view of Mr. Flux's distinguished career, we naturally accept the tables which he submits in this book as being as accurately compiled as human care can make them. But if these tables are accurate they incidentally cause the nine books of Preliminary Tables to be thrown into the waste-paper basket as the outcome of so much misdirected effort. Obviously the nine volumes could only have been compiled at considerable expense—we should imagine the salaries of the clerks engaged on the work for three years, with the general expenses and printing charges, must alone have run into several thousands of pounds. Yet no explanation is forth-

coming to satisfy the public—who are called upon to foot the bill—of the reason for this great waste. The only reference which Mr. G. S. Barnes makes to the point is that “in the course of the years 1909-11 nine Reports were published containing Preliminary Tables summarizing the information furnished. *Those tables have been carefully revised.*” Only a very casual reference is necessary to indicate that the “careful revision” by Mr. Flux means that the whole of the statistics have had to be gone over again, and some rather startling results have ensued.

For example, the Preliminary Return issued in 1909 gave the total output of the United Kingdom of bleached and dyed yarn for 1907 as 22,454,000 lb. The Final Report now issued gives the output as 15,446,000 lb., a difference of 7,000,000 lb. If we accept the revised figure as the correct one, how is it to be explained that the *value* of the last-mentioned output has not fallen in proportion? In the first return it was £986,000, and in the final return it is £909,000, an alteration of less than 1 per cent. in value, whereas the output has admittedly been reduced to the extent of over 30 per cent. An explanation offered to the writer by a cotton-trade expert was that such inaccurate figures must have been caused either by gross carelessness in the original compilation or the number of mills concerned must have been revised. But this does not explain the discrepancy between output and value; neither does it fit in with the fact that the number of persons employed has not materially changed—572,869 in the first return and 572,062 in the final.

If we turn to the shipbuilding and marine engineering trades, we find the output of private



firms differ in the first and the revised return as follows :—

TABLE A.

	First Return.	Revised Return.
(I) Cost of materials used ... ..	£ 17,895,000	£ 19,221,000
Amount paid to other firms ... ..	6,087,000	4,801,000
	<u>23,982,000</u>	<u>24,022,000</u>
(II) Value of output ... ..	41,660,000	42,556,000
(III) Value of output, less cost of materials used ... ..	16,678,000	18,534,000

If we turn to the flock and rag table, we shall find similar discrepancies between the first and the revised return :—

TABLE B.

	First Return.	Revised Return.
(I) Cost of materials used ... ..	£ 693,000	£ 1,445,000
(II) Value of output ... ..	852,000	1,776,000
(III) Value of output less cost of materials used ... ..	159,000	331,000
Persons employed ... ..	2,385	6,385

The value of the woollen and worsted trades' total output was originally given at £70,331,000, and the cost of materials, etc., at £50,879,000, but circumstances have caused the figures to be increased to £75,905,000 and £57,308,000 respectively, which means a reduction in the value of the output of about a million sterling.

In the other trades the discrepancies are equally disconcerting. Referring again to Table A, the foregoing figures respecting the output of shipbuilding and marine engineering trades show the value of the output to be nearly a million sterling more in the revised return than in the first. Not only in the large trades but also in the small ones the discrepancy is startling, as in the case of the flock and rag trade (see

Table B), where we learn that the cost of materials used should not be just over half a million, but nearly a million and a half, while the total number of persons employed should not be 2,375, but 6,385.

As an example of wild statistical calculation, the Preliminary figures concerning the flax-scutching trade (given hereunder) would be amusing if they did not too tragically indicate the forlorn condition of the Board of Trade's statistical service :—

TABLE C.

					First Return.		Final Return.	
					Tons.	Value. £	Tons.	Value. £
Tow dressed	...	...	...	...	670	31,000	1,990	23,000
Tow	...	...	...	...	680	8,000	No figures.	
Amount received from other firms	...	...	...	...		52,000		55,000
						91,000		78,000
Cost of material used	...	...	...	...		23,000		4,000
Value of output	...	...	...	...		91,000		78,000
Value of output less cost of materials	...	...	...	...		68,000		74,000
Persons employed	...	...	...	...		3,760		3,862

It should be noted that the first return includes Ireland and one establishment in Wales, whereas the final or revised return includes Ireland only.

Referring to Table C, the amount of the dressed tow was 670 tons, valued at £31,000 according to the first return, but in the final the amount has swollen to 1,990 tons, and the value has shrunk to £23,000, while the total cost of the materials used in the trade, put at £23,000, has shrivelled up to £4,000. A change in the number of factories or employees under the new calculation? Certainly not. The number of persons employed, according to the first return, is 3,760, and in the final the figures are still only 3,862.

We do not suppose that the official statistical mind will see anything very heartrending in these

astounding blunders, because the official mind has become so self-satisfied with its own shallow profundity that it would see nothing very wrong in wasting the public funds in doing work so imperfectly that it has to be done over again.

The nine Preliminary Reports deal with no fewer than 128 industries. The first part was published in the year 1909, and dealt with five subjects. This method of publication by instalments is to be recommended on condition that the parts are to be unified, co-ordinated, and confirmed by the complete Report. In this case the Preliminary Reports were in the hands of the public, some for three years, some for shorter periods; they were accepted, quoted, and treated as documents invested with official authority. It is therefore no light matter that they are devoid of value. Regard for the reader's patience and considerations of space do not permit of an exhaustive comparison of the Preliminary Tables with the Final Report throughout the 128 subjects; the instances given above suffice to indicate a species of census-taking which should not recur under existing auspices.

We now pass on to the more grateful task of collating the opinions which certain organs of the Press have expressed, and quoting the lessons they have learned from the Final Report, for there is one exception to the silence of the great London dailies, and the Provincial Press has spoken at some length. Taking the criticisms in order of date, our contemporary the *Iron and Steel Trades Journal*, of January 4th, considers that the stupendous and confusing figures of the first British Census of Production are deserving of careful consideration. A comparison of this with the next and succeeding

Reports will be a measure of our progress or retrogression. This great work, our contemporary points out, was inaugurated during Mr. Lloyd George's Presidency of the Board of Trade.

The Final Report is the subject of a lengthy article in the *Statist* of January 4th. Our contemporary explains that production is of two sorts: the preparation of commodities and the rendering of services. These categories, taken together, form the total production of the United Kingdom. According to our contemporary, the Census Office is not responsible for the figures in the agricultural and fishing industries. That portion of the work was done in Great Britain by the Board of Agriculture and Fisheries, and in Ireland by the Irish Department of Agriculture and Technical Instruction. It is interesting to note that the Census Office estimates the total number of persons engaged in producing commodities at about 9,250,000. The gross output expressed in selling value of the three countries forming the United Kingdom is as follows:—

England and Wales ...	...	...	...	£	1,490,749,000
Scotland ...	...	...	...	...	207,840,000
Ireland ...	...	...	...	...	66,777,000
Total ...	...	...	...	...	<u>1,765,366,000</u>

This total, which includes neither agriculture nor fisheries, is composed of items contributed by many industries, of which the principal are the iron and steel engineering and shipbuilding trades, the textile trades, the food, drink, and tobacco trades, the clay, stone, building, and contracting trades, and the metal trades, other than iron and steel.

The output of agriculture and fisheries combined during the year 1907 was as nearly as possible £210,000,000. In estimating the total income of the United Kingdom, the Census Office allows itself a considerable margin—that is to say, the figures are given as from £1,948,000,000 to £2,158,000,000. Our contemporary calls attention to the fact that when allowance is made for increase during five years, the estimate of the Census Office is in close agreement with that of the *Statist*, which reckons the total income of the United Kingdom to-day at £2,250,000,000. On another point, too, the Census Office is found to be in agreement with our contemporary, but both authorities have fallen into an error more serious than any that we have indicated in the Preliminary Tables. Our contemporary writes: “In this Report the Census Office quotes and accepts Sir George Paish’s estimate of the amount of British investments abroad. Sir George estimated those investments at £89,322,000 for the year ended with June, 1907, and at £110,144,000 for the succeeding year. Consequently the Census Office assumes that for the year 1907 a total of about £100,000,000 would appear to be a reasonable estimate. So far, well. But what are we to make of the next sentence? “The Report goes on to observe that Sir George estimated at £140,000,000 the annual revenue from foreign investments owned in the United Kingdom.” Is there a distinction between British investments abroad and foreign investments owned in the United Kingdom? Obviously not. Then these authorities who agree like hand and glove are confronted with this puzzle, How can one hundred millions sterling of capital produce one hundred and forty millions of interest?

The distinction intended is probably between British investments within the Empire but outside the United Kingdom on the one hand and British investments in foreign States on the other.

According to the *Northern Whig* of January 6th, the Final Report is of supreme importance as a new departure. A comparison of quinquennial periods will not fail to put us in possession of information of far-reaching importance, which it behoves a great commercial community to study with diligence. Little real service, our contemporary opines, could be done by irregular reports. They must be supplied at certain fixed intervals. This being the first Report, there is no basis for comparison. The points singled out by our contemporary are chiefly those already dealt with above. The chief conclusion is that home production and consumption, together or separately, are far greater than had been imagined hitherto. Our contemporary concludes with the expression of a hope that the Report covering the year 1912 may be published with more promptitude than the first.

In the *Daily News and Leader* of January 7th Mr. L. G. Chiozza Money, in a signed article, contrasts the total output of British industry, which amounts to no less a sum than £1,234,000,000, exclusive of agriculture and fisheries, with the total value of imported goods, which is only about £50,000,000. Another point upon which the writer lays the utmost emphasis is that the figures given in the former total are the values at the British points of production before the finished products have incurred any cost of distribution whatsoever. On the other hand, the £50,000,000 of manufac-

tured goods are values which include all costs of distribution.

The *Manchester Guardian* of November 7th devotes a weighty article to an examination of the cotton trade figures in the Final Report of the Census of Production. Our contemporary regrets the fact that the value of the information supplied is seriously impaired by the delay in its appearance. The huge cotton trade is the second in importance among the thirteen leading industries of the United Kingdom. The average number of persons employed in it—excluding out-workers—is 1,253,044. The horse-power of engines employed is 1,987,865. The total yardage of the three descriptions of piece goods exported during the year 1907 was 4,668,745,000, while the total output returned by weaving firms was 7,087,680,000, the balance being the output of “grey goods” and “coloured cottons,” which were either held in stock as such or received no further treatment before being sold for home use or export. When we consider the values in this gigantic industry, we are confronted with colossal figures. The gross output in the textile trades, of which group the cotton trade is the most important, is

no less a sum than ... ..	£	333,561,000
The cost of materials used was ... ..	235,038,000	
The amount paid to other firms was ... ..	4,189,000	
Adding these two items, we have ... ..		239,227,000
The value of the net output is ... ..		<u>94,334,000</u>

Associated with the cotton trade—which has double the importance of the woollen and worsted trades, the next in order of the amount of capital employed—there are eleven other in-

dustries, making the number of the textile group thirteen in all. Our contemporary calls attention to the fact that the Census Office endeavoured to obtain a comparison with the previous year—1906. With this object the firms to whom schedules for the cotton trade were sent were asked to furnish a voluntary statement of the total value of their output for the twelve months preceding the period for which they had furnished detailed and compulsory returns. In response to this request, firms that produced in the censal years goods to the gross value of £102,507,000 reported that the value of their output in the previous year amounted to £95,656,000, an increase of nearly 7·2 per cent. It is interesting to note that the average output per head of persons employed in the textile trades for the censal year was nearly £79. Among that enormous number were 352,072 females, 89,761 of whom were under eighteen years of age.

In its issue of January 9th the *Yorkshire Post* devotes an interesting article to that aspect of the Report which is concerned with wages and the personal output of various trades. Our contemporary calls attention to the marked disparity in the net output per head of the persons employed when comparing the results of a year's work in different industries. This net output, it is explained, is the value of goods produced, less the value of materials used, and when this remainder is divided by the number of persons employed the quotient ranges from £70 or £80 to £200 or £300. The strange thing is that there is often little difference in the rates of wages in industries differing widely in the net output per head. Why, our contemporary asks, should



it be £88 in printing and bookbinding and as much as £111 in paper-making? The answer is that a large average output per head is more generally found in men's trades than women's. For example, the metal trades, where only 3 per cent. of the workers are females, have a net output of £109 per head, whereas in the textile trades, with 62 per cent. of the workers females, the output per head varies from £72 to £79. In the textile group there are fluctuations still wider than between £72 and £79. In silk, with 68 per cent. of females, the output is only £55 per head. On the other hand, in the bleaching, dyeing, printing, and finishing of textile goods the percentage of females is only 18, and the net output is £101. In lace, with 55 per cent. of females, the net output is £98.

Turning from output to wages, it is disappointing to find that the average annual earnings of all workpeople is only £54 10s., while in silk it is as low as £34 10s. We find that factors other than wages affect the net output per head. Our contemporary supplies a list illustrative of this point. For example, the net output per head in steel smelting, rolling, and founding is £115, compared with only £73 in cutlery; in copper smelting, rolling, and founding it is £137, against £89 in brass finishing; in grain milling it is £178, as compared with £104 in baking; in railway carriage and wagon building it is £123, against £82 in carriage and cart making. The explanation is that the industry in the second category is carried on by small firms, and the capital charges (which come out of the net output) are comparatively light.

There would, then, seem to be certain advantages to the community in the capitalization of

industries on a large scale, as shown by the greater output per head. But our contemporary mentions a grave qualification to this proposition ; it is that where large enterprises are over-capitalized, the proportion of the product which goes to the worker is seriously reduced. Our contemporary points out that in a limited number of highly specialized industries the net output per head is affected by the employment of workers on patented or proprietary articles, or articles protected by trade-marks or the reputation of the makers. In these the expenses of advertising and marketing are apt to be very high. Thus we find such figures as £354 per head for spirit compounding ; £280 for ink, gum, and sealing-wax making ; £198 for paint and varnish mixing ; £183 for making and compounding drugs and chemicals ; and £178 for making farinaceous products. At the other extreme we find fish-curing, an intermittent and seasonal employment, with a net output per head of no more than £30. Flax-scutching is lower still for the same reasons, the net output being only £19 per head. The printing and publishing of newspapers is a case where the figures are admittedly fictitious. The net output per head is given at £190, but only the permanent staffs are included, and no account is taken of occasional contributors—a large and important item.

Before taking leave of the subject, it is well to glance over certain classes of producers who were wholly or mainly excluded from the Census of Production for the year under review. These include : (1) Persons working on their own account, such as jobbing-men who use materials furnished by those who employ them ; (2) home workers who employ only members of

their own families; (3) what are known as repairing workshops in various trades; (4) certain givers-out of work who are not manufacturers; finally, (5) includes a very large number of exemptions, such as tea blending and packing, coffee and chicory mixing, hay, straw, corn, and forage merchants and dealers, bottle washing, fruit cleaning, seed merchants, florists. These and other exemptions are justified on the ground that any productive work which may be done is quite incidental to merchandising or retailing. On this and a great number of subjects, Mr. Flux's Introduction is an illuminating contribution to our knowledge of commercial business, and we are in cordial agreement with the opinions expressed by our contemporaries as to the great value of the Final Report.

We venture to express a hope that the Report for the year 1912 can be completed with such expedition—the Census Office being now thoroughly organized—that there shall be no occasion for Preliminary Tables. But should recourse be had to these once more, results should be embodied in every case—not Estimates. And if we may offer another suggestion to a statistician of Mr. Flux's experience, it is that the order of the Preliminary Tables for 1907 should not be slavishly followed. The experience already acquired indicates the industries whose completed schedules are the first to arrive. If these, and these alone, are embraced in the Preliminary Tables, the wild discrepancies referred to need not occur. Their frequency suggests that Estimates rather than results were accepted in the first instance. We prefer that theory to the alternative of gross carelessness. We reiterate the hope that the Final Report is

already well in hand for 1912. Its prompt appearance under Mr. Flux's auspices will constitute an addition to our knowledge whose importance it is difficult to exaggerate.

We cannot doubt that the figures for the year 1912 will be exceptionally favourable in practically all industries. The *Times* Annual Financial Review, which was issued early in 1913, is to some small extent a Preliminary Table to the Final Report for 1912. And so we are in possession of data for a comparison of certain items during the quinquennial period 1907-12. The leading journal's table, for example, gives the shipments of cotton yarn—

					Lb.
For eleven months of the year 1912 as	...	...	...	...	225,640,000
Adding one-eleventh for December, say	...	...	...	...	20,512,727
We arrive at a total of	...	...	...	...	246,152,727
Turning now to the Final Report for 1907 (p. 289)	...	...	...	...	
we find the total export of cotton yarn is	...	...	...	...	241,077,000
Showing an increase of	...	...	...	...	5,075,727, or 2.1 %

The same authority, in the table on the woollen trade, gives the export of woollen yarn—

					Lb.
For the year 1912 as	...	...	...	...	6,248,600
In the Final Report for 1907 (p. 297) the export of	...	...	...	...	
woollen yarn is given as	...	...	...	...	2,577,000
Showing an increase of	...	...	...	...	3,671,600, or 142.4 %

The increase in the export of woollen yarns is enormous, and if the results had emanated from any other source doubt would be cast on their accuracy. But the export for the year 1911 is given as 5,851,400 lb. The increase for 1912 over 1911 is therefore 397,200 lb., or 6.7 per cent. The huge upward bound in the export of woollen yarn must therefore have

taken place in the period 1908-10. The *Times* report helps us to understand the upward movement. It says: "It is also obvious, from the number of knitted jackets, vests, and scarves that are now worn, and the more liberal use of woollen underclothing than in former years, that far more wool than ever is being consumed in this branch of the business. Leicester has had a very prosperous year in its hosiery department, and because of the enterprise of the makers of this class of goods, German competition, which was at one time much feared, has been entirely beaten." It appears that a more liberal use of woollen underclothing abroad must have synchronized with that movement in the United Kingdom. And it is not only in the finished product, but also in the production of yarn, that we have entirely outdistanced German competition. There is much satisfaction in this, except for the well-known advertisers who assure us that linen is the best underwear.

A singular fact in this connection is that the trade distinguishes between woollen yarns and worsted yarns. In contrast with the former, the export of the latter shows a heavy decrease in 1912 as compared with 1911, amounting to 4.9 per cent. According to the Report just cited, the fall is due to the Near Eastern embroglio. The Report continues: "It is hoped that the Balkan trouble will soon be settled, and thus bring about an improvement in regard to these old orders." Our exports of jute, too, show a decline, but these two items are rare exceptions. The year 1912 formed a record. It was, indeed, a bumper year, and the coming of its Census Production Report will be awaited with the keenest interest. Commercial circles

have had good reasons for receiving it with satisfaction.

The new departure cannot fail to furnish invaluable data for a scientific survey of our commerce. We shall have means of judging whether commercial crises precede, are coincident with, or follow financial crises. We may safely predict, too, that when commercial firms get accustomed to keep their statistics in readiness and the buff forms are no longer resented, schedules will be filled up quickly, and the present list of exemptions will then be cancelled and a nearer approach in scientific completeness will be attained.

On the other hand, we may be permitted to doubt whether the contention of the *Statist* will be upheld, that "the service of married women in their domestic labours ought to be reckoned amongst the income of the country." If this claim is admitted, consistency suggests that a further step be taken, and it is an easy and a logical transition—namely, that Mr. Flux be instructed to take over the Births from the Registrar-General and make them the subject of the first section in the Report for the year 1912. Many authorities might be cited in favour of this course. Our space will only permit of a reference to two. Mr. Ruskin declares that "children are the wealth of a nation." Mr. Gilead P. Beck, in the *Golden Butterfly*, is still more explicit. An early protagonist of Women's Rights is reciting, for his information, some of the objections formulated by opponents. "They urge," she said, "that we cannot point to creative artists among women. We produce nothing great." "Why, madam," Mr. Beck interrupted gallantly, "your sex has produced all the greatest men."

## VI

### OUR STATISTICS: A PLEA FOR A CENTRAL GOVERNMENT DEPARTMENT

AMONG the more interesting and healthy characteristics of our current literature is the increasing extent to which the aid of statistics is being invoked in the discussion of social questions. In almost every magazine there is an article in which some one or other of these subjects is treated in its numerical aspects; nor do the weeklies, or even the dailies, show any timidity in embarking upon the same enterprise. Some colour is being lent, indeed, to the claim once put forward by an eminent statistician, that we are the creatures of statistics from the cradle to the grave. It certainly appears as if at no time of our life, or even before it, we are not the prey of the arithmetical microbe. While some deplore the decline in the rate at which we are being born, there are enthusiasts in eugenics who seem to think that a lot of us ought never to have been born at all. Infantile mortality still deservedly claims the earnest attention which can be guided only by numerical evidence. The various campaigns now in progress against tubercular disease, alcohol, vaccination, unemployment, the Poor Law, landlords, and feeble-mindedness, have

each their statistical sharpshooters, armed with all the figures they find fit for their purposes. Then, again, by cutting the dyke of the Tariff question, Mr. Chamberlain set free an economico-statistical Pactolus which the united efforts of no less than fourteen professors have proved impotent to dam.

This growth in prevalence—it might be said, perhaps, in popularity—of their craft, its tools, and its methods ought to gratify those who have been devoting themselves to statistical research—a class long subjected to the slings and arrows of the ribald. The old graduation of inveracity, ending with statistics, is, I find, still extant in and near Fleet Street, in despite of the variant which holds the field at Temple Bar, assigning the palm to expert evidence. The almost classical quips found in French literature have lost none of their savour in the lapse of time; but, as has been pointed out by M. de Foville, the *bel esprit* of modern statisticians, they wring the withers of none but the quacks of statistics, ignorant of the very rudiments of their calling. A feat performed by one such practitioner is worth recalling here, because of its resemblance to certain tendencies in this country in the present day. The yield of potatoes in France was gravely computed by him, at a figure thrice that indicated by the official estimate. He had ascertained the produce of his own parish and multiplied it by the total number of parishes in the country. Many years ago in India a draft mortality return came to my notice in which the European death-rate in a small district was given as 500 per mille. It appeared that the only European in the place had had the misfortune to lose his wife. This, in statistical parlance, is a dinner



for six served up for twelve, and the same irrational—that is, non-statistical—use of figures as a sort of arithmetical spillikins has been doing yeoman's service on a hundred British platforms of late.

In the popular treatment of statistics, however, to which I referred above, I have noted little, if any, tendency to such vagaries. It appears to me, indeed, to be worth recognizing that when intelligent people are trying, honestly and without prepossession, to get at the truth, they deal with figures in the statistical spirit as they talk prose, without perceiving it. Statistics, in fact, whether it be called a science or merely a method, implies a certain attitude towards numbers which finds its expression in comparison, proportion, and analysis, and its operations are conducted, for the most part, arithmetically. It is not dependent, as is often supposed, upon the higher mathematics, which are essential only in the more intricate and specialized branches of investigation, such as those connected with insurance or the fascinating study of averages. The chief difference between the tyro and the expert in handling the same material is that the former would probably accept as evidence a good deal which the wider correlation and analysis of the latter would lead him to reject or to admit only with some qualification. A more cogent reason, however, for the increased popularity of statistics than the wider application of empirical knowledge is found, it seems to me, in the nature of the topics to which the attention of the public is thus attracted. The more important of these, it will be seen, relate to some defect or other in the social conditions of the community—defects recognized by all, but

for which no remedial measure is suggested which is not torn to shreds by the advocates of its many rivals. In cases like these, philanthropic enthusiasm, generally a little impulsive, cannot afford to dispense with the guidance of economics. All social problems are exceedingly complicated, and concentration on the one immediate object is apt to obscure its relation to other important factors, as well as to ignore consequences which, though apparently remote, are none the less inevitable and serious. "The function of political economy," said Mill, "is to find the rules which govern any circumstances with which we have to deal—circumstances which are never the same in any two cases." Leaving on one side the close and inseparable connection between material condition and personal character and capacity, which necessarily react upon each other, the facts of society from which economic deductions have to be drawn can only be known through statistical observation and record. The cheque drawn upon our confidence by economics, it has been said, must be endorsed by statistics. In considering wages, for instance, the daily or weekly rate ought to be supplemented by the regularity or otherwise of employment, and if a comparison be made with the rates of past years, the variation in the purchasing power of those wages or in the items of the weekly budget are factors which materially influence the conclusions to be drawn. In regard to pauperism, again, a declining ratio of those in receipt of relief to the total population, which is the only calculation usually published, is discounted by the fact elicited by the Statistical Inquiry made by the recent Royal Commission, that in the case of adult male paupers the ratio

has considerably risen. By the same means, too, the astonishing proportion of the "in and out" element was for the first time brought to a numerical test.

Considerations such as the above, and other instances which could be given, amply account for the high place now held by statistics in the inquiries of the many thoughtful people devoting their abilities to the solution of social problems. I pass, then, to the sources from which they can derive the figures upon which their investigation must be based. One of the chief requisites in these researches is that the information should cover as wide and varied a field as possible, in order that light may be thrown upon the numerous and interwoven factors involved in the question. This object is fulfilled in the main by returns collected officially. The work of private individuals in this direction has been invaluable, and much of our knowledge is due to their assiduity. The annual returns, too, of some of the great manufacturing industries and commercial undertakings cover ground left untouched by the public administration. But notwithstanding this laudable enterprise in special directions, the larger fields of investigation are accessible only through material collected and published by the central and local authorities. These alone cover the whole ground of the subject, furnishing the large numbers in varied grouping, which are the natural prey of the statistician. They extend also over a longer period and with better preserved continuity than private observations; whilst in regard to the majority of social questions, they provide almost the only evidence available. In the form in which they are turned out they leave plenty of

room for non-official development of their utility. Indeed, without it much of their value would never come to light. The departmental statistics of this country, I should say, need fear little from comparison with those of its neighbours. It is, however, a matter of common remark, not confined to experts, that our returns are disappointing, and that in numbers of cases their face value is very different from that resulting from examination in detail. After proceeding a certain distance on an excellent road, the explorer finds himself brought up by an impassable chasm, or perplexed by the dispersal of the track into a number of blind alleys, putting an end to all progress. It seems that the statistical work of the various departments has been developed on parallel lines, closer or farther from each other as the case may be, but never meeting. This want of organization is by no means the discovery of any recent outbreak of popular interest in statistics.

As long ago as 1877, owing to a departmental quarrel between the Board of Trade and the Customs, the serious attention of Mr. W. H. Smith, who was then at the Treasury, was called to the shortcomings of official statistics, and to the need of improving the existing practice—he would hardly dignify it with the title of “system”—on which they were prepared. He noted a want of condensation leading to obscurity in the returns, and a want of uniformity leading to positive confusion, not to mention great waste in the printing. He appointed a Committee, accordingly, to inquire and report upon the unnecessary mass of detail and duplication of printing, and more especially upon the difference in form in compiling statistics on the same sub-

ject for the three divisions of the Kingdom, and the want of harmony in grouping, heading, and date, etc., where returns on different subjects directly or indirectly allied ought to be made susceptible of intercomparison. According to their Report of December, 1879, the Committee found ample confirmation of the defects indicated in their reference, but were not unanimous as to the best mode of remedying them. The majority, however, recommended that the statistical element in the larger departments should be reinforced, that a small central office should be formed for the more specialized statistical work, that the returns of all departments should be overhauled by competent scrutineers in order to eliminate or diminish overlapping and inconsistency, and that a small permanent commission should be entrusted with the duty of supervising and maintaining the harmony thus to be introduced.

This Report was still-born, for whilst there was unanimity on the fact that the defects in the statistics are due principally to the want of co-operation between departments, the assent of the distinguished members representing departments was not obtained to any measures by which that co-operation could be secured and maintained. The rock upon which the Committee split was the dislocation, so to speak, of the official hierarchy implied in the proposal that a new and independent body should be endowed with authority to prescribe, alter, or control the statistical work of existing departments. Specific objections were raised, it is true, and not without foundation, to the proposals on other grounds; but, in the main, it seemed to be felt that departmental autonomy was at stake, and in a remark-

ably able and interesting minute of dissent the late Lord Farrar argued that so far from the intrusion of another body being necessary, it would be advisable to effect reform from within by entrusting the revision and general supervision of departmental statistics to the Board which he represented. This would entail comparatively trifling expenditure, whilst the alternative involved a permanent grant, a consideration which, no doubt, had its weight in making the recommendations of the Committee kick the beam when duly placed in the Treasury scales. At all events, no action was taken upon it directly. Incidentally, however, this abortive attempt to raise our returns to a higher position in the ranks of statistics may have been not altogether without results, since several of those who took part in it remained in the public service for a great part of the thirty years which have elapsed since it was published, and in that interval marked improvements have been made in many directions, some of which had come under the notice of the Committee. The creation of a Statistical Department under the Board of Agriculture, for instance, under specially qualified supervision, has placed our agricultural returns on a footing equal, probably superior, to those of any of our neighbours. The foreign trade statistics, again, have been kept abreast of the times by improvements in classification and system of record, such as the return of the country of consignment (not merely that of shipment), the inclusion of ships built for abroad, and so on, greatly increasing the utility of the information. In both these cases advance was no doubt stimulated by the large amount of interest and sympathy manifested in these sub-

jects by a considerable and influential body of commercial and agricultural opinion. The administration, too, was fortunately in the hands of men of long experience, who also stood, and stand, high in the ranks of economic and statistical science. A further new departure in the collection of statistical material has been the establishment of a Labour Department at the Board of Trade. The mandate for this enterprise, though adequate, perhaps, does not seem to have been as clear and definite as that emanating from trade and agriculture. It has had, so to speak, to create its own field of work, and the results do not yet equal in value those of the statistical offices of longer standing. The subjects with which it deals, moreover, are largely those in which just now the interest of the public and, still worse, of politicians is particularly keen. In spite, therefore, of the frank exposition of the limitations of the material, and the caution exercised in its statistical treatment, these returns are too often found cited in support of conclusions to which they are statedly and often ludicrously irrelevant. On the other hand, the Labour Department is now engaged in two statistical inquiries of far greater import than their monthly returns of unemployment and the like. First, the Inquiry into Wages, which is taking the place of a similar, though very inadequate, investigation made so long ago that its results have long been obsolete. And then a Census of Production, recently attempted for the first time in this country. The results of both are issued by groups of industries, and as far as can be seen from the reports already published, every effort is being made to meet the difficulties most usually prominent in such

undertakings—the overlapping of contributory industries in the case of production, and a too narrow range of “sampling” in that of wages. It is probably optimistic to expect that these will be completely overcome, but the two inquiries will be, nevertheless, a welcome addition to our economic information, even though statistical analysis be not likely to pass over their deficiencies. Other instances of improved statistics might be quoted, and laudable reductions have been made in the mass of printing by the efforts of Parliamentary Committees; but I pass from, metaphorically speaking, these oases to the general field of official statistics, where there is still a good deal under low cultivation, and much remains to be done before the pleasure-ground of a department fulfils its mission of becoming the treasure-house of social information. To begin with the record of population, the basis of most social statistics. The census Act shows, as have done its last two predecessors, marked improvement in the scope and organization of the operations. With regard to scope, indeed, I am by no means sure that the limit has not been reached, and that great detail in regard to such subjects as occupation and infirmities is not beyond the capacity of the census machinery, particularly where the return is made by the householder, with comparatively little intervention on the part of a trained official enumerator. Overcrowding, again, does not depend upon the number of rooms and persons alone, or even of windows, which are counted in the Census of Scotland. Incomplete information is often as misleading as none, and this may be the reason why the Registrar-General, like the Pope, does not recog-



nize divorce. Under what designation or designations do the divorced return themselves? The question becomes a practical one when comparing our returns with those of most other nations. This by the way, however. The reason why I have mentioned our excellent census as one of the no more than *partially* satisfactory statistics is that it is taken only once in ten years. In the case of a population as mobile or migratory as ours, that interval is far too long for practical purposes. In every succeeding year, in increasing proportion, the results of the enumeration grow less valuable as the touchstone of the conditions of the community. They have to be supplemented, therefore, by calculation—that is, hypothetically, an expedient which, though moderately useful in the case of tens or scores of millions, is unworthy of confidence in respect to comparatively small aggregates for which accuracy is more urgently needed. It has been found advisable in Germany, and even in the almost stationary France, to take a census every five years. The inquiry need not be as elaborate as that of the decennial census; it might, indeed, be confined to the numbering of the people by sex and age—some would add birthplace. The need of such an enumeration has been repeatedly urged upon our Government for many years past by actuaries, economists, medical and sanitary officers, and others whose investigations and practice depend upon the information obtainable by this means alone. Their representations have been well received, the advantages of a quinquennial census have been recognized, and their memorial dispatched with the departmental benison to its doom on the rocks of Treasury Island.

One of the topics which has been most prominently before the public for the last few years is the income of the country and its distribution. The information available on this subject is probably wider here than in other countries, partly owing to the long period for which the income tax has been levied, supplemented since 1894 by the estate duties. Nevertheless, it would be extended and made more useful if its statistics were fully developed. The very interesting evidence given before the Income Tax Select Committee of 1906 showed how much has to be based upon approximation from data more or less remote, as soon as one comes to grips with important practical questions, such as those of the graduation of the rate of tax or the differentiation between earned and unearned income. We do not know, and the Inland Revenue Commissioners are careful to tell us that they too do not know, the number of taxpayers, or the amounts they respectively contribute to the recorded total. Estimates of these items have been calculated from time to time from different sources, and it speaks well for the statistical acumen of the authors that they did not differ more. Still, the variation is enough to suggest caution in adopting them as guides. A partial test will be applicable when the results of the recent innovations in the income tax are published, as there will be a considerable increase in the number of "total incomes" brought on to the record at the upper and lower ends of the list, which are well worth special examination. As a rule, however, the dead weight of returns poured into an office such as this keeps the whole staff at work upon current duties. Nevertheless, it may be assumed

from the amount of detail collected that much good work could be done in the way of correlation of the different revenue returns, if any one of the officials had the time and the taste for it—a contingency which would have been guaranteed under the proposals of 1879. A good standard of what can be done in this direction is found in an essay by the late Lord Goschen on “The Growth of Small Incomes”—a masterpiece of statistical synthesis. With the amount of compilation and classification already on the hands of the Revenue officials, it is a matter of speculation at present what will be the destination of the returns of the ten Land Values (exclusive of minerals) now being made. The Domesday Inquiry took, it is stated, from about Christmas, 1085, to Michaelmas, 1086. This one may take longer, and the tabulation of the results longer still. The form to be taken by the latter will necessarily be complicated, and whatever the landed interest may think about the matter, there seems to be held out to economists the prospect of a feast of comparison, classification, and analysis prodigal enough to tax the digestion of the most hardened statistical Lucullus.

Several other instances might be cited of excellent statistical material, most useful and trustworthy up to a certain point, such as the comparison of the same figures through different years, but failing as a test of the inference or hypothesis indicated by its general tenor. A case which occurs to me as of not unfrequent occurrence is that of the difficulty, and sometimes the impossibility, of correlating special facts with the age and sex-distribution of the aggregate of population to which they refer. Portions of the vast returns of Public Instruction err, I

believe, in this respect, and here the comparison might stray even farther afield, considering the wide influence attributed to education, and might touch upon employment and even criminality. In this last subject of inquiry, however, trespassers might be deemed to be warned off by the prefatory note sometimes added to the returns, to the effect that the forms are not always filled up in the same way in different localities, and the information asked for is not invariably furnished. I mention the question, bearing in mind an *obiter dictum* I came across in a report upon a certain district in India a quarter of a century ago that the people, "being quite uneducated, are very honest and not given to crime"! The bulky returns of the Local Government Board, again, valuable as they are, and almost overwhelming in their detail, would be the better for further correlation with the work of other departments.

Without going into more detail, but reviewing the subject as a whole, it is certainly to be regretted that, with the general expansion of the field of inquiry, and with considerable improvement in the efficiency of collection, there should still be found room for the imputation of the lack of harmony and co-operation to which Mr. W. H. Smith called attention in 1877. The complaints on this score are by no means confined to statistical purists, who might fairly be put off by the consideration *le mieux est l'ennemi du bien*, but they emanate from investigators of all sorts, who look for statistical evidence on the grave social questions of the day to the only quarter in which it presumably can be obtained, and look in vain. Sir Charles Dilke made this the subject of his Presidential Address to the Royal Statistical Society in 1907, and adduced

many instances which he had come across in his long and varied experience of public life where the official record had failed him. Recently, too, Lord George Hamilton, from the same chair, reviewed the statistical side of pauperism on data obtained by a special census, the official returns proving quite inadequate for the purpose. The conclusion to be drawn from the general tendency of criticism such as the above is that, in the judgment of those best qualified to express an opinion upon the subject, the defects in our official statistics are traceable mainly to two causes: first, the want of co-operation between departments in regard to the form and detail of their respective returns; and, secondly, the want of machinery responsible for collating the returns from all the different sources and dealing with them in their general, as distinguished from their departmental, significance. At first sight it might not seem to be a matter of much difficulty to get this or that date altered, or to prescribe a form in which the figures from one source would be comparable with those from another. But when one gets close up to the practical side of the question it will be found, as it was in 1879, that picking holes is far easier than mending them. That the existing state of affairs can be improved there is, of course, no doubt; but it is only after most minute inquiry that the means can be found to introduce an infusion of statistical method into quarters where the demand of current duties must interfere with the appreciation at their full value of the returns there prepared, more especially in their relation to the work being conducted on corresponding lines elsewhere. It will be borne in mind that the points at which the returns clash or diverge

are at present known only in so far as they happen to have come into disagreeable prominence in individual inquiries. To meet the situation, however, it is advisable that the whole field should be brought, as it were, into focus before the best way of improving it can be ascertained. One of the objections raised against the Report of 1879 was that its proposals were not based upon a complete and impartial survey of the statistical work of the different departments.

The most necessary preliminary step, therefore, is to get that work set forth in full explanatory detail, first by departments, then by subjects, when the latter are dealt with in more than one office. From this statement can be learned, not only the scope of each return but also how far it supplements or is inconsistent with any other. Its preparation will be undeniably a very heavy task, which must be carried through by official agency. It would be necessary, too, that the scrutiny of the forms should be in the hands of experts in statistical analysis and comparison, and it would be advisable, therefore, to call in the aid of some non-officials known to be well versed in social and economic statistics, in order that varied experience should be brought to bear upon the work of co-ordination. After the cases of overlapping, inconsistency, or want of comparability have been thus brought to light, it will be necessary to ascertain the circumstances of each: the special reasons for no change in one, for and against alternatives in another, and so on. Irrespective of such grounds as statutory enactment, seasonal convenience, or similar local considerations, there is always the breach of statistical continuity to be deprecated. But

whether the balance of advantage inclines in favour of continuity or of the change proposed depends almost entirely upon the nature of the case; and if the mere fact that comparison with former returns would be vitiated were to be admitted as decisive against change, improvement would have but a poor chance. In important instances, no doubt, it is advisable for some years after the change to maintain comparability by means of subsidiary tabulation. The departments concerned will have to be consulted on each case, so that there is no reason to doubt but that the arguments against change will be put forward tersely and trenchantly. When the time comes for a final decision on the proposals, and for prescribing the manner in which the suggested changes are to be carried out and their extent, the body which conducted the investigation will necessarily have to be augmented in weight and authority. As to the way in which this is to be managed, I venture upon no suggestion. Up to this point I have been discussing matters which have fallen more or less within my experience, but here the atmosphere gets too rarified for me. I will assume, however, that the "order and harmony" aimed at have been established to the full extent which, in the judgment of the experience brought to bear upon it, is not outweighed by exceptional objections involved in a change. The department collecting the raw material must continue to tabulate it, since there alone is found the detailed knowledge which can thoroughly explain its scope and set forth the qualifications under which it is to be accepted. Its relation to the returns of former years, too, is best dealt with by those conversant with what may be termed its tradition, and can

thus indicate the breaks and modifications referred to just now. So far, too, as it illustrates the working of the departmental machinery, it must obviously be handled in its place of origin. Then follows the stage when the returns of most of the departments ought to be incorporated in a wider survey, in order that their full statistical value may be disclosed; and the serious question arises as to the hands to which this complicated and arduous task should be entrusted. So far as the existing establishments are concerned, the question is not one of competence, for in more than one of the great departments there are officials whose statistical ability is recognized to be beyond cavil. The want of time is an obvious and grave difficulty. The work and responsibilities of the higher officials are already great, and every year brings some extension of the functions of departments, with its inevitable consequence of more correspondence, record, and supervision. Statistical study, such as would do justice to the material and bring home the lesson it conveys alike to the Government and to others interested, is not, and cannot be, the by-product of routine, but must occupy the undivided attention of a specialized staff. To induce the Government of the day to provide an office of this sort has been the main object of the many representations that have been made by statisticians and economists for years past, but they have invariably failed. The literature of the question gives me the impression that the refusal does not rest merely upon the stereotyped financial ground that "it does not appear that the new establishment will result either in saving or in profit commensurate with its cost." But there seems to be also an undercurrent of apprehen-



sion lest it be found exceedingly difficult to establish the relations between such an office and existing departments on lines which would not engender perpetual friction, a situation which a central authority like the Treasury is in a position to visualize more clearly than any one less conversant with the internal working of the official hive. The task would doubtless be delicate and probably invidious, but not impossible, for many more unpalatable administrative changes have been effected as soon as statesmen thought it worth their while to insist upon them.

The example of foreign Governments is not one, perhaps, which carries much weight with us. "Other countries," said Mr. Podsnap, "do—and I am sorry to be obliged to have to say it—as they do." In regard to the organization of our statistics, however, the isolation in which we stand is anything but splendid. Almost every other civilized Government has attached to it a central staff, charged with the duty of publishing and elucidating from year to year the numerical aspect of contemporary life. These bodies differ greatly in position and the extent of their administrative functions, and in several cases their authority is strengthened by a consultative council, composed of both officials and specialists co-opted from outside. Not one of them could be adopted bodily by another country, but the same general aim and method are common to all; and it would be casting an unmerited slur upon British administrative ability to assume that if ever the advantages of statistical organization gained the favour of Government, means would not be found to incorporate them into our official system. Nothing is more likely to promote this change

of attitude than the marked spread of the popular interest in social questions which has taken place in the last twenty-five years or so, and the increasing application of statistical methods to the study of the many factors involved in those problems. The subject, as I have tried to show, is as intricate as it is important, and the outline I have given may be found interesting, if not useful, if it chance to fall into the hands of some one called upon to comment upon the same shortcomings and remedies—a century hence.

## VII

### OUR INCREASING NATIONAL EXPENDITURE

WHEN Sir William Harcourt was introducing his famous Budget of 1894, he mentioned as a matter of ominous import that the national expenditure in the previous twenty years had increased to the extent of £23,823,000. Another twenty years has elapsed since the financial period to which his statement referred, and we find that the sum which he regarded as so serious is quite modest compared with the figure which represents the accretions of the subsequent two decades. Not twenty-three millions but eighty millions is the amount of the increase, and we have achieved the redoubtable feat of almost doubling the expenditure. "Leaps and bounds," in fact, is the only accurate description of the upward progress of the nation's liabilities. Nor is there any guarantee that we are nearing the end of the acceleration. On the contrary, all the portents are of a marked quickening of the pace in the course of the next few years when the full charges of the Old Age Pensions Act are reached, and the liabilities under the Insurance Act reach their maturity. How horrified the apostles of

economy of the past would have been at the existing situation we may imagine from their genuine alarm at the modest increases which a few decades ago marked the annual Estimates. In truth the position of affairs is such as to excite profound disquiet in the minds of all who wish well to their country.

It needs only a glance at the accompanying table to see in its full significance the trend of the nation's finance. Within the period dealt with the expenditure has doubled. In the later history of the country there has never been witnessed such an acceleration, apart from the effects of war. A few figures, showing the expenditure at quinquennial periods since 1840, brings this out very clearly :—

## EXPENDITURE.

1840-1 ...	...	...	...	...	49,285,396
1845-6 ...	...	...	...	...	49,628,724
1850-1 ...	...	...	...	...	49,882,322
1855-6 ...	...	...	...	...	88,428,345 <sup>*</sup>
1860-1 ...	...	...	...	...	72,792,059
1865-6 ...	...	...	...	...	65,914,357
1870-1 ...	...	...	...	...	69,548,539
1875-6 ...	...	...	...	...	76,621,773
1880-1 ...	...	...	...	...	83,107,924
1885-6 ...	...	...	...	...	92,223,844
1890-1 ...	...	...	...	...	87,732,855
1895-6 ...	...	...	...	...	105,130,116
1900-1 ...	...	...	...	...	193,331,890
1905-6 ...	...	...	...	...	150,413,245
1910-11 ...	...	...	...	...	171,905,667
1912-13 ...	...	...	...	...	186,885,000

Thus it will be seen that we have done in twenty years what it took an earlier generation a half-century to accomplish. In the last half-dozen years we have added more to the national burdens than the figure which represents the increases in the forty years 1840-1—1880-1. The

<sup>\*</sup> Crimean War year.

colossal expenditure of the South African War period has not yet been overtopped, but unless something in the nature of a miracle should happen we shall soon see eclipsed the unenviable record of 1901-2, when the Chancellor of the Exchequer of the day had to provide for upwards of two hundred and five millions of liabilities.

The chief causes of the tremendous increase in expenditure in recent times have been the subject of a good deal of controversy. But in the main they are pretty apparent to any one who makes even a casual examination of the figures set out in the last issued "Statistical Abstract for the United Kingdom in the last Fifteen Years." The influence of the war, of course, is writ large over a portion of the survey. Naval rivalry also accounts for much. Education, too, is an important factor. Then there are the large commitments for social reform, of which we have had a sufficient taste to stamp the Estimates with a heavy mark. These, taken together, are enough to account for a phenomenal rise in expenditure. But it may well be suspected whether beyond these influences there have not been others which have helped on the movement. One remembers in this connection such things as Payment of Members, the creation of a valuation staff, and the institution of a special staff to "ginger" the County Councils in connection with allotments. These, it is true, are mere bagatelles in Budgets which run well towards two hundred millions. But as straws show which way the current is running, so these new charges will indicate the stream of tendency in national finance. We are, there can be no doubt, living in an age of administrative extravagance. The

man who spends most is the hero of the hour ; he who even timidly raises his voice in favour of economy is frowned on as a dull reactionary, whose sordid mind cannot rise to the sublilities of an up-to-date governmental organization. The mood will probably pass with much else that is now incomprehensible in the public attitude. But it is dangerous while it lasts, inasmuch as it allows of further heavy mortgaging of the national credit on lines which will not permit of an easy retracing of steps.

Public apathy on this subject of national expenditure is largely the product of ignorance. Few have either the time or the inclination to make even a superficial examination of the statistics available. They are content to take Budget statements as read, and to trust to their Whitaker or their Hazell for the modicum of enlightenment which they require. When, as will probably happen at no distant date, there is a commercial crisis, due either directly or indirectly to the prodigality with which the national revenue has been disbursed in recent years, they will realize only too clearly how vastly important the subject is. To hasten the inevitable awakening, we may with advantage show exactly where the additions have been made to the expenditure. It is only by careful analysis of the annual Estimates that we can arrive at a really accurate view of the entire position.

In approaching a consideration of the causes of this extraordinary growth of the cost of government, we are early impressed with the importance of armaments as a factor in producing the result. The following figures speak for themselves :—

			Army. £		Navy. £		Total. £
1893-4	...	...	17,940,000	...	15,476,571	...	33,416,571
1894-5	...	...	17,900,000	...	17,545,000	...	35,445,000
1895-6	...	...	18,460,000	...	19,724,000	...	38,184,000
1896-7	...	...	18,270,000	...	22,170,000	...	40,440,000
1897-8	...	...	19,330,000	...	20,850,000	...	40,180,000
1898-9	...	...	20,000,000	...	24,068,000	...	44,068,000
1899-1900	...	...	43,600,000	...	26,000,000	...	69,600,000
1900-1	...	...	91,710,000	...	29,520,000	...	121,230,000
1901-2	...	...	92,542,000	...	31,030,000	...	123,572,000
1902-3	...	...	69,440,000	...	31,170,000	...	100,610,000
1903-4	...	...	36,677,000	...	35,476,000	...	72,153,000
1904-5	...	...	29,225,000	...	36,830,000	...	66,055,000
1905-6	...	...	28,850,000	...	33,300,000	...	62,150,000
1906-7	...	...	27,765,000	...	31,434,000	...	59,199,000
1907-8	...	...	27,115,000	...	31,141,000	...	58,256,000
1908-9	...	...	26,840,000	...	32,188,000	...	59,028,000
1909-10	...	...	27,236,000	...	35,807,000	...	63,043,000
1910-11	...	...	27,449,000	...	40,386,000	...	67,835,000
1911-12	...	...	27,649,000	...	42,858,000	...	70,507,000
1912-13	...	...	27,860,000 <sup>*</sup>	...	45,074,724 <sup>*</sup>	...	72,934,724

It will be seen that the expenditure on the Army has increased about 70 per cent., and that on the Navy nearly 300 per cent. We are spending to-day on armaments a sum equal to that represented by the total revenue of the country forty years ago, and on the Navy alone almost as much as the national income of a period no farther back than seventy years since. Looking around the world, and having regard more particularly to the situation across the North Sea, no patriot would say that the present scale of expenditure, enormous as it is, is excessive. It represents the necessarily high rate of insurance against a cataclysm which, if it found us unprepared, might involve us in irretrievable ruin. The true significance of the fact is its bearing on the question of the cost of the Civil Administration. Clearly this is peculiarly a case in which the candle must not be burned at both ends. If we have adequately to meet a great international

<sup>\*</sup> Estimated.

emergency, one such as occurs only once in a century, it is mere midsummer madness to paralyse our striking arm by weighting it with vast new liabilities in the domestic sphere of government. Still more foolish is it to signalize this period of stress and anxiety by initiating an era of extravagant expenditure in practically every department of the administration. Yet this is precisely what has happened, as will be evident from the facts which we shall give as illustrative of the financial developments of the Civil Services in the past two decades.

A general view of the position is to be found in the table given below :—

## CIVIL SERVICE ESTIMATES.

			Total, including Revenue Departments. £		Revenue Depart- ments alone. £
1893-4	...	...	31,114,346	...	12,970,785
1894-5	...	...	32,080,831	...	13,230,793
1895-6	...	...	32,957,571	...	13,180,056
1896-7	...	...	34,400,203	...	13,560,230
1897-8	...	...	35,745,100	...	14,343,041
1898-9	...	...	37,092,416	...	15,012,530
1899-1900	...	...	38,135,726	...	15,694,731
1900-1	...	...	39,046,804	...	16,145,910
1901-2	...	...	47,653,879	...	17,076,594
1902-3	...	...	53,681,038	...	17,550,213
1903-4	...	...	44,977,106	...	18,291,172
1904-5	...	...	46,198,038	...	18,598,211
1905-6	...	...	47,325,316	...	19,148,010
1906-7	...	...	48,863,577	...	19,730,813
1907-8	...	...	50,820,603	...	20,845,703
1908-9	...	...	53,840,205	...	21,301,937
1909-10	...	...	61,915,930	...	22,047,164
1910-11	...	...	67,417,084	...	23,462,222
1911-12	...	...	70,499,000	...	24,498,000
1912-13	...	...	77,922,034 <sup>*</sup>	...	28,062,680 <sup>*</sup>

In the accompanying tabular statement it is possible to trace the directions in which the largest calls have been made on the national purse :—

<sup>\*</sup> Estimated.



# OUR INCREASING NATIONAL EXPENDITURE 145

	1893-4. £	1902-3. £	1912-13. £
I. Public works and buildings ...	1,648,754	2,272,323	3,638,080
II. Salaries and expenses of Civil Departments ...	2,027,733	2,503,795	4,178,394
III. Law and Justice... ..	3,800,481	3,720,547	4,621,535
IV. Education, science, and art ...	9,172,316	13,343,255	19,680,454
V. Foreign and Colonial Services	630,205	1,341,437	1,639,768
VI. Non-effective and charitable services ... ..	671,037	612,382	13,011,001
VII. Miscellaneous ... ..	187,035	287,086	245,160
VIII. Insurance and Labour Exchanges ... ..	—	—	2,844,962
Unclassified ... ..	—	50,000	—
Revenue Departments ... ..	12,970,785	17,550,213	28,062,680
	£31,114,346	53,681,038	77,922,034

With the exception of Class III, Law and Justice, there is not a department in which the increase in the twenty years has been less than 90 per cent. The cost of Education has more than doubled. Class VI, Non-Effective and Charitable Services, swollen by the Old Age Pensions disbursements, has grown twentyfold. The Revenue Departments include the Post Office, which shows for 1912-13 an estimated expenditure of £23,808,950. For this there is an adequate set-off in the revenue, and we need not be over-concerned about the increase in this direction, apart from the apprehension we may feel at the colossal development of the bureaucratic element which the increase in the Post Office expenditure, from ten millions to twenty-four millions in twenty years, indicates.

Carrying the analysis farther, we may contrast some of the principal items of the various classes of expenditure at the two periods :—

CLASS I.	1893-4. £	1911-12. £	1912-13. £
Houses of Parliament buildings ...	39,095	54,170	50,800
Diplomatic and Consular buildings ...	30,201	88,600	85,800
Revenue Department buildings ...	339,923	697,063	725,800
Public buildings, Great Britain ...	203,232	680,500	725,500
Rates on Government property ...	245,738	730,000	798,000
Public works and buildings, Ireland ...	212,176	273,370	273,366

Here we see the working of the influences which have tended to augment to such a notable extent the annual liabilities. The charges under the head of Diplomatic and Consular Buildings and Revenue Department Buildings are double what they were twenty years ago, and Public Buildings, Great Britain, demand four times the amount they did. It naturally follows from this that the rates on Government property have more than trebled in the two decades. Apart from the latter item, the enhancement is no doubt largely due to the great scheme of office buildings undertaken in 1898, and still incomplete. As far as it has given the Government Departments stately habitations in keeping with the dignity of the Imperial Government, no reasonable patriot will quarrel. But there is more than a suspicion that the scale of accommodation has been too lavish. At the rate that a generous Government is providing for its officials, the whole of Westminster will soon be occupied, and yet will prove too small to house all the Government Departments.

In the next class, Salaries and Expenses of Civil Departments, we have a very instructive comparison in these figures :—

CLASS II.	1893-4. £	1911-12. £	1912-13. £
Treasury and Subordinate Departments	89,458	105,718	114,371
Home Office and Subordinate Departments ... ..	96,697	246,445	258,007
Foreign Office ... ..	70,471	67,155	68,420
Colonial Office ... ..	41,680	59,574	60,075
Privy Council Office ... ..	14,033	10,533	10,646
Board of Trade and Subordinate Departments ... ..	179,090	441,403	471,650
Mercantile Marine ... ..	50,000	—	—
Board of Agriculture ... ..	50,359	194,869	253,539
Civil Service Commission ... ..	41,853	45,516	55,134
Exchequer and Audit Department ... ..	58,467	64,560	67,760
Local Government Board ... ..	165,621	277,870	283,374
Registrar-General's Office ... ..	40,659	182,023	60,405

CLASS II.				1893-4.	1911-12.	1912-13.
				£	£	£
Stationery Office and Printing	...	...	...	514,732	793,594	959,751
Office of Works	...	...	...	52,287	125,850	136,750
Scotland—						
Secretary for Scotland	...	...	...	11,410	15,230	17,126
Registrar-General's Office	...	...	...	8,387	37,871	8,356
Board of Agriculture	...	...	...	—	21,353	209,580
Fishery Board	...	...	...	21,858	24,428	24,520
Ireland—						
Chief Secretary and Subordinate De-						
partments	...	...	...	41,028	28,563	27,296
Local Government Board	...	...	...	135,497	107,514	111,688
Registrar-General's Office	...	...	...	15,670	29,020	20,258
Valuation and Boundary Survey	...	...	...	11,683	44,581	42,295

With the exception of the Foreign Office, the Privy Council Office, the Irish Chief Secretary's Office, and the Irish Local Government Board, every Government Department shows an increase, and most of them an enormous increase. The small reductions in the Irish Offices would be notable if they were not more than counter-balanced by the items of £136,314 and £169,750, relating respectively to the Department of Agriculture and Technical Instruction, and the Congested Districts Board, which did not exist in the earlier period. As the position stands, these amounts represent considerably more than the entire expenditure on the Irish Departments twenty years ago. Perhaps it is no wonder in the circumstances that there should be a feeling abroad that Ireland has of late years had more than her proper share of Treasury plums. Not, however, that the English Agricultural Department makes a bad showing with an expenditure which is nearly quadrupled in the two decades covered by the two sets of figures, while the Scottish Board comes in as a truly noble second with an aggregate expenditure of £209,580. Taking the figures for the larger administrative departments—the Home Office, the Board of Trade, and the Local

Government Board—we are confronted with a scale of increased disbursements of almost startling magnitude. The cost of the Board of Trade administration has more than trebled, that of the Home Office is not far behind, while the Local Government Board, though a bad third in the race, yet contrives to show about 75 per cent. increase. Outside these departments the interest covered by the item “ Stationery, Office and Printing ” is well deserving special notice. It will be observed that on the showing of the figures given on pp. 146-7 the cost of the department has more than doubled in the last two decades. But this is not the whole of the story. In the closing days of the last session a Supplementary Estimate for an additional sum of £162,000 was presented, with the result that the total expenditure on this account was brought up to the truly enormous sum of £1,121,751. Nothing hardly could be more significant of the rapidity of the Rake's Progress we are making than this single fact. Our public departments have become absolutely reckless in their disbursements of the nation's money on literature of the sort dear to the official mind. On one Royal Commission alone the cost of printing, after amounts received for the sale of reports was deducted, was £5,900. As much as £1,500 went for lithographing maps.

But these figures pale into insignificance when compared with the amounts which have been expended by the Insurance Commission for printing and stationery. From first to last a cool quarter-million has been disbursed for this purpose. It is, of course, only a beginning. Such are the principles on which the Insurance system is worked that it is morally certain that the Commission's annual bill will be an appreciable

factor in the financing of the Act. The stories that are coming to hand of departmental waste in this direction are highly disquieting. Doctors have been writing to the newspapers to say that they have been deluged with elaborate prescription-books, though they do not prescribe, and have been stocked with day-books sufficient to last for years. At the rate that things are proceeding, we shall soon all be bound fast with red-tape and entombed in official paper. A really business House of Commons would tackle this paper and stationery bill seriously. The amount might be reduced by at least a third without any real loss to the public service.

We now examine the figures contained in Class III relating to Law Charges. The most instructive details are those under the head "United Kingdom and England." Here there is seen a considerable rise in the amounts. The totals are these:—

	1893-4.	1911-12.	1912-13.
Law charges ... ..	70,506	86,317	83,812
Miscellaneous legal expenses ... ..	49,782	49,994	50,194

The following more detailed figures show the sources of the increase:—

	1893-4.	1911-12.	1912-13.
Salaries... ..	14,250	14,390	14,400
Criminal prosecutions and quasi-criminal proceedings ... ..	20,000	22,000	22,000
Legal proceedings other than criminal ... ..	12,000	20,250	16,750
Coin prosecutions ... ..	800	1,000	1,000
Bankruptcy prosecutions ... ..	3,000	2,500	2,500
Intervention of Queen's (King's) Proctor in divorce cases ... ..	4,000	5,500	6,000
High Sea prosecutions ... ..	200	300	300
Department of the Solicitor, Queen's (King's) Proctor, and Director of Public Prosecutions—			
Salaries ... ..	19,861	37,737	38,222
Incidental expenses ... ..	20	40	40
Parliamentary agency ... ..	800	400	400
Expenses of the Director of Public Prosecutions under the Criminal Appeal Act, 1907 ... ..	—	1,200	1,200

A glance at the table will show that the largest increases are under the heads "Criminal Prosecutions and Quasi-Criminal Proceedings," "Intervention of Queen's (King's) Proctor," and "Department of the Solicitor, Queen's (King's) Proctor, and Director of Public Prosecutions." Between them these several interests account for an increase of about 30 per cent. on the disbursements for 1893-4. It may be that this advance represents merely the normal and legitimate development of the activities of the department. But it is to be noted that the tendency to increase is most marked in items whose vagueness leaves much to the imagination. For example, the amounts under the heading "Allowance to Solicitor for Clerks" grew from £8,670 in 1910-11 to £9,250 in 1911-12 and £9,650 in 1912-13. "Allowance to Director of Public Prosecutions for Clerks" similarly rose from £5,225 in 1910-11 to £5,500 in 1911-12 and £6,070 in 1912-13. Consistently with these advances there is a growth in the allowances to the solicitors and the directors for messengers, the amounts in each case including, as the Estimates are careful to state, payments for "cleaning inkpots and dusting books." The dirt in the inkpots and the dust on the books must, however, have been very markedly increased to necessitate a rise in the other years from £468 to £525 in the one case and in the other from £499 to £570. But it is not so much what appears on the face of the Estimates of the Law Charges that is interesting as what is concealed by them. The Law Officers of the Crown, whose regular emoluments are higher than those of any other members of the Government, the Lord Chancellor excepted, are, according to custom,

permitted to charge fees for contentious business. You may search in vain in the Estimates for the sums annually paid under this head, though, as has been shown, they are careful to disclose to what extent the State finances are burdened for cleansing the secretarial and directorial inkpots. In the Appropriation Accounts issued with the report of the Comptroller and Auditor-General, however, light is thrown on this highly important matter. The report sent out for the financial year 1910-11 shows that in the period under review the extra remuneration (exceeding £25) paid to the Attorney-General (or the holders of that office, for it changed hands twice) was £10,924 6s. 2d., while the Solicitor-General (or holders of that office) received £3,860 16s. 6d. In other words, the emoluments of the Attorney-General in the year were £17,924, and of the Solicitor-General £9,860 16s. 6d. In 1911-12 Sir Rufus Isaacs received, in addition to his regular salary, £6,321 17s. 5d., and Sir J. A. Simon £4,247 6s. The tendency would appear to be to enhance the princely remuneration of the Law Officers rather than to keep it in more moderate bounds. The recent *Titanic* Inquiry, for instance, was only by a strained interpretation of the term to be regarded as "contentious," yet on the strength that the business was of this character the Attorney-General received £2,458 and the Solicitor-General £2,425 in extra fees. It is difficult to see how a system which permits of such really monstrous payments to already well-paid officials can be justified. The excuse put forward for it is that the remuneration is only such as the holders of office would secure if at the Bar, and that it is necessary in order to attract the best men. In reply to this, it may be said

that the legal offices under the Crown are the surest stepping-stone, not only to high judicial office but to legal fame, and that there is no ground for supposing that if the emoluments were on a less magnificent scale there would be any difficulty in obtaining the best men to fill them. Mr. Asquith left a great practice at the Bar for a salary of £5,000 a year as Home Secretary. Why should it be necessary to give three times that sum to secure a first-class man as Attorney-General? In point of fact, there is no reason worthy of the name. The entire system would have been abolished long ago had it not been that the legal interest in successive administrations has been all-powerful. We come now to the final classes of Estimates. The comparative figures for the leading items are the following :—

CLASS IV.					1903-4	1911-12.	1912-13.
					£	£	£
Education, England and Wales	...	...	...	...	6,194,718	14,375,232	14,504,765
Science and Art Department	...	...	...	...	645,015		
Universities and Colleges, Great Britain	...	...	...	...	83,000	303,800	314,200
Scotland—							
Public Education	...	...	...	...	968,073	2,335,394	2,489,425
Ireland—							
Public Education	...	...	...	...	1,060,969	1,656,324	1,734,554
Universities and Colleges	...	...	...	...	5,048	186,256	130,000
CLASS V.							
Diplomatic and Consular Services	...	...	...	...	448,101	628,031	689,040
CLASS VI.							
Superannuation and Retired Allowances	...	...	...	...	504,625	774,763	778,253
CLASS VII.							
Temporary Commissions	...	...	...	...	39,177	33,000	33,000
Miscellaneous Expenses	...	...	...	...	4,985	9,553	13,742

The most significant feature of the above table is the enormous increase in the cost of education. The total expenditure for the United Kingdom



has risen from £9,172,316 to £19,172,944. Thus the charges have considerably more than doubled in the twenty-one years. The growth of this liability may possibly be regarded as an inevitable concomitant of our modern civilization. Nevertheless, the question arises whether the fullest value is being obtained for the money, and whether, even if the expenditure has been advantageous, the country can afford to maintain the standard of increase shown in the foregoing table. The "Superannuation and Retired Allowances," with their increase of 60 per cent., afford eloquent testimony to the general effect of the policy of thorough in administration. Once more the question may be asked, Is not the pace too hot to last? Especially is the inquiry suggested when we recall that amongst "the non-effective and charitable services," in which this item appears, also figures a sum of £12,200,000 for Old Age Pensions. Taking the three items Education, Superannuation and Retired Allowances, and Old Age Pensions, there is shown an increase of £22,680,749 in the twenty-one years.

A class beyond those dealt with above is the new one relating to Insurance. Something has been said already about the cost of this department in the matter of stationery and printing, and a further reference to it appears to be called for. One fact which obtrudes itself as one glances at the figures showing the cost of the several Commissions is the inordinate share which Wales has of the amount granted by Parliament for administration. Though the population of the Principality is only about one-fifteenth that of England, and less than half that of Ireland and Scotland, the amount of

expenditure on salaries in 1911-12 was £1,926 10s. 8d., or about a fourth that for England (£7,481 3s. 7d.), almost as large as that of Scotland (£2,051 2s. 5d.), and larger than that of Ireland (£1,878 15s.). Nor is this all. While England spent only £1,298 12s. 3d. on "special inquiries," Wales disbursed £888 15s. 1d. Again, England claimed only £202 12s. 2d. as "travelling expenses," but gallant little Wales went one better and put in a bill for £327 10s. 2d., a sum which, besides being about 60 per cent. more than that representing the expenses of the predominant partner, was nearly three times the charges put in by Ireland. There is surely something here which calls for investigation.

It is in the accounts of the Revenue Departments that we are confronted with, perhaps, the most significant evidences of the working of the new extravagant spirit in the administration. Taking the Customs and Inland Revenue Departments together, we find that the cost of administration has risen from £2,706,178 in 1893-4 to £4,083,400 in 1911-12, and to £4,253,730 in 1912-13. In the two decades the feat has almost been accomplished of doubling the expenditure. Since 1905-6 the increase has been no less than £1,105,730. Lloyd Georgian finance is to a very large extent the explanation of the most modern phase of this upward movement. The Valuation Department alone accounts for £530,944 of the increase. A small army of nearly 500 officials has been called into being to chase the elusive unearned increment through the shires and incidentally to satisfy hungry office-seekers. They have already left a distinct mark on the wrong side of the national

balance-sheet without greatly affecting the other. But their present influence is probably as nothing to what it may be later, when the policy of which their appointment is the outcome has reached riper fruition and the full effects of the creation of this new department are realized.

The whole tendency of Government policy in recent times has been in the direction of the strengthening of bureaucratic power. What it means in practice to the taxpayer has been seen already in the figures cited, illustrative of the increase of expenditure. But to fully gauge the strength of the movement, it is necessary to separate the payments made in respect of salaries and allowances from the other charges in the Estimates. This has been done in the following table, in which the payments on account of salaries and allowances twenty years ago are contrasted with those for the last financial year :—

#### EXPENDITURE ON ACCOUNT OF SALARIES AND ALLOWANCES.

	1893-4. £	1912-13 £
CLASS I. PUBLIC WORKS AND BUILDINGS ... ..	247,206	307,469
CLASS II. SALARIES AND EXPENSES OF PUBLIC DEPARTMENTS :—		
House of Lords Offices ... ..	40,140	42,171
House of Commons Offices ... ..	46,293	312,760
Treasury and Subordinate Departments ... ..	88,538	93,602
Home Office ... ..	81,945	190,283
Foreign Office ... ..	54,036	64,420
Colonial Office ... ..	36,680	56,987
Privy Council Office ... ..	15,563	11,940
Board of Trade ... ..	149,341	328,684
Mercantile Marine Services ... ..	—	140,678
Bankruptcy Department, Board of Trade ... ..	110,559	96,794
Board of Agriculture and Fisheries ... ..	38,779	114,617
Charity Commission ... ..	36,224	29,795
Civil Service Commission ... ..	29,903	50,570
Government Chemist ... ..	—	18,533
Exchequer and Audit Department ... ..	60,111	67,618
Friendly Societies' Registry ... ..	6,423	11,912

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	1893-4.	1912-13.
Local Government Board ... ..	136,637	242,819
Lunacy Commission, England ... ..	13,005	18,506
The Mint ... ..	25,644	47,100
National Debt Office ... ..	16,838	14,920
Public Record Office ... ..	17,062	21,010
Public Works Loan Commission ... ..	9,632	11,434
Registrar-General's Office, England ... ..	52,068	68,205
Stationery and Printing ... ..	26,647	41,421
Office of Woods and Forests ... ..	20,049	20,044
Office of Works ... ..	48,637	125,550
Office of Secretary for Scotland ... ..	10,174	15,701
Board of Agriculture, Scotland ... ..	—	19,450
Fishery Board for Scotland ... ..	10,957	12,336
Lunacy Commission, Scotland ... ..	5,192	5,375
Registrar-General's Office, Scotland ... ..	7,757	8,286
Local Government Board for Scotland ... ..	7,275 <sup>1</sup>	17,168
Household of the Lord Lieutenant of Ireland ... ..	4,604	4,452
Chief Secretary for Ireland ... ..	37,356	22,993
Department of Agriculture and Technical Instruction, Ireland ... ..	—	65,238
Charitable Donations and Bequests Office, Ireland ... ..	1,729	1,996
Local Government Board, Ireland ... ..	30,953	57,451
Public Record Office, Ireland ... ..	5,247	7,406
Public Works Office, Ireland ... ..	25,478	35,772
Registrar-General's Office, Ireland ... ..	13,975	15,535
Valuation and Boundary Survey, Ireland ... ..	15,013	41,345

## CLASS III. LAW AND JUSTICE :—

United Kingdom and English Law Officers' Department ... ..	33,741	52,622
Miscellaneous legal expenses ... ..	38,513	33,916
Supreme Court of Judicature and Court of Criminal Appeal ... ..	350,570	348,019
Land Registry ... ..	6,580	34,321
Public Trustee ... ..	—	28,000
County Courts ... ..	387,600	435,607
Police Courts, London ... ..	20,114	—
Police (England and Wales) ... ..	6,725	6,625
Prisons, England and the Colonies ... ..	344,877	404,170
Reformatory and Industrial Schools, Great Britain ... ..	6,664	9,024
Criminal Lunatic Asylums, England ... ..	11,123	16,352
Law Charges and Courts of Law, Scotland ... ..	101,060	111,222
Scottish Land Court ... ..	—	5,500
Registry House, Edinburgh ... ..	35,875	42,126
Crofters' Commission ... ..	5,585	—
Prisons, Scotland ... ..	46,185	58,036
Law Charges, Ireland ... ..	47,856	49,615
Supreme Court of Judicature, Ireland ... ..	104,432	106,217
Irish Land Commission ... ..	74,606	176,647
County Court Officers, Ireland ... ..	87,500	102,245
Dublin Metropolitan Police ... ..	11,009	113,310
Royal Irish Constabulary ... ..	852,113	831,925

<sup>1</sup> Board of Supervision for the Relief of the Poor and for Public Health.

# OUR INCREASING NATIONAL EXPENDITURE 157

	1893-4. £	1912-13. £
Prisons, Ireland ... ..	51,282	54,247
Reformatory and Industrial Schools, Ireland	1,562	2,312
Dundrum Criminal Lunatic Asylum, Ireland	3,023	4,059
CLASS IV. EDUCATION, SCIENCE AND ART:—		
United Kingdom and England—		
Board of Education ... ..	208,609	502,043
Department of Science and Art ... ..	63,638	—
British Museum ... ..	85,607	102,489
National Gallery ... ..	8,062	15,351
National Portrait Gallery ... ..	695	4,346
Wallace Collection ... ..	—	6,877
London University ... ..	12,327	—
Scotland—		
Public Education ... ..	38,061	69,132
National Galleries, Scotland ... ..	—	4,465
Ireland—		
Public Education ... ..	54,251	71,563
Endowed Schools, Commissioners... ..	735	645
National Gallery of Ireland ... ..	1,030	1,665
Science and Art, Ireland ... ..	—	35,826
CLASS V. FOREIGN AND COLONIAL SERVICES—		
Diplomatic Service ... ..	192,628	478,774
Colonial Services ... ..	14,209	27,766
CLASS VI. NON-EFFECTIVE AND CHARITABLE SERVICES—		
Hospitals and Charities, Ireland ... ..	153	153
CLASS VII. MISCELLANEOUS ... ..		
...	23,819	13,386
CLASS VIII. INSURANCE AND LABOUR EXCHANGES—		
National Health Insurance Joint Committee	—	24,020
National Health Insurance Commission—		
England ... ..	—	84,945
Wales ... ..	—	14,060
Scotland... ..	—	20,410
Ireland ... ..	—	24,036
Labour Exchanges and Unemployment Insurance ... ..	—	352,037
REVENUE DEPARTMENTS—		
Customs and Excise ... ..	687,385	1,786,204
Inland Revenue ... ..	1,464,909	1,688,322
Post Office ... ..	4,835,222	14,194,585
Grand total ... ..	£12,403,665	25,429,563

The annual bill for salaries and allowances alone is, it will be seen, over twenty-five million

pounds, or just upon three times the amount that was spent twenty years since. Even this colossal sum does not represent the entire liability in respect of the bureaucracy, for it does not include the charges on account of superannuation; and it has, moreover, to be remembered that the Army and Navy are left out of the account. The total cost of superannuation in 1912-13 was £3,471,802, that sum including £145,000 in respect of the Army and £412,000 for naval pensions. Excluding the last two items, we have in connection with civil administration alone an annual liability of £2,914,802. The votes on this account are on an ever-increasing scale. The general list in Class VI, which in 1893-4 totalled 504,625, in 1912-13 stood at £778,253; the Customs and Excise and Inland Revenue charges have risen in the same period from £403,334 to £602,300, the Irish Constabulary pensions from £318,003 to £409,586, and the Post Office Vote for Superannuation from £181,250 to £936,000. Marked as has been the growth of the liability in the past twenty years, there is every likelihood that the next two decades will witness a far more striking increase, owing to the recent enormous increase of officials in connection with Old Age Pensions, National Insurance, Labour Exchanges, and Valuation. This aspect of Government expenditure is often overlooked, yet its importance cannot be too strongly insisted upon. Permanent charges are a dead weight upon the administration, which defy all ordinary measures of economy. What is the use of extinguishing debt if at the same time we are creating fresh liabilities for future liquidation? It is true, no doubt, that a considerable amount of superannuation—notably that

in connection with the Post Office—is a legitimate and inevitable development of the operations of the administration. But when every allowance has been made for natural influences, there is left much to give cause for anxiety in those superannuation charges.

A succession of prosperous years has obscured the dangers of the course upon which the country has been embarked, but the time seems to be at hand when a closer attention will be given to the problem of national finance. On the one side there are evidences that the period of commercial inflation is approaching its close; on the other it is becoming apparent that the safe margin of taxation has almost been reached. Meanwhile, there is dawning upon the public a perception that the nation will have to face in the next few years immense increases in expenditure on account of social legislation. In the view of some experts, the Insurance Act alone, before many years have elapsed, will involve charges of upwards of thirty millions. Then there is the certainty of an enormous increase in the outlay on national defence. In these circumstances a rigid examination of the whole of the machinery of government, with a view to effecting economies, will become imperative. Much is to be hoped from the Estimates Committee, if it is prepared to do its work fearlessly and with a complete disregard of mere party considerations. With the exercise of vigilance it could put a stop to many abuses which now flourish without check. Its first business should be to insist that a full disclosure of essential facts should be made in the Estimates. There is too great a tendency to-day to hide inconvenient items in a cloud of figures. Let us have more light on all these

points, upon which taxpayers are entitled to have the fullest information. By this means we shall be able more effectually to invoke the spirit of economy which has so long been absent from the general direction of the administration. Thereafter it will be possible, perhaps, to put a check upon the larger tendencies which are hurrying the nation on the road to financial disaster.



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